REVIEWING THE NATIONAL SURFACE TRANSPORTATION POLICY AND REVENUE STUDY COMMISSION REPORT: "TRANSPORTATION FOR TOMORROW"

(110–98)

HEARING

BEFORE THE

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE HOUSE OF REPRESENTATIVES

ONE HUNDRED TENTH CONGRESS

SECOND SESSION

FEBRUARY 13, 2008

Printed for the use of the
Committee on Transportation and Infrastructure

U.S. GOVERNMENT PRINTING OFFICE

40–815 PDF WASHINGTON : 2008

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2104 Mail: Stop IDCC, Washington, DC 20402–0001

CONTENTS

U.S. House of Representatives
Committee on Transportation and Infrastructure

James L. Oberstar
Chairman

Washington, DC 20515

John L. Mica
Ranking Republican Member

David Heymsfeld, Chief of Staff
Ward W. McCarragher, Chief Counsel

February 12, 2008

James W. Coon II, Republican Chief of Staff

SUMMARY OF SUBJECT MATTER

TO: Members of the Committee on Transportation and Infrastructure

FROM: Subcommittee on Highways and Transit Staff and the Subcommittee on Railroads, Pipelines, and Hazardous Materials Staff

SUBJECT: Hearing on Reviewing the National Surface Transportation Policy and Revenue Study Commission Report: "*Transportation for Tomorrow*"

PURPOSE OF HEARING

The Committee on Transportation and Infrastructure is scheduled to meet on Wednesday, February 13, 2008, at 10:00 a.m., to receive testimony from the chair of the National Surface Transportation Policy and Revenue Study Commission (Commission), representatives of state and local transportation agencies and a representative of the business community regarding the Commission's recommendations on preserving and enhancing the nation's intermodal surface transportation system to meet future accessibility, economic, and quality-of-life needs.

The Committee on Transportation and Infrastructure held an earlier hearing on these issues on January 17, 2008. Secretary of Transportation Mary Peters, who is the chair of the Commission and does not support some of the recommendations of the Commission report, did not appear at that hearing. This hearing is intended, in part, to provide her an opportunity to discuss her views on the report, her vision of the nation's surface transportation system, and her view of the federal role in developing that system, and the methods of financing such development.

BACKGROUND

Congress established the National Surface Transportation Policy and Revenue Study Commission ("Commission") in Section 1909 of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users ("SAFETEA-LU"). In establishing the Commission, Congress charged it with forecasting the surface transportation system necessary to support our economy 50 years in the future. The analysis is anticipated to enable lawmakers to establish long-term goals regarding the transformation of the surface transportation system, and to move beyond simply making changes at the margins to the existing system. It was also hoped that the Commission's recommendations would help Congress formulate short-, medium-, and long-term strategies necessary to achieve these goals, as well as mechanisms to finance the investments necessary to meet these goals. It was Congressional intent that the Commission's report would aid efforts to develop a surface transportation system that will support our nation's economic competitiveness, growing population, and improve quality of life.

Congress provided the Commission a very broad mandate to: (1) project the expected demographics and business uses that will impact the surface transportation system 15, 30, and 50 years in the future; (2) determine the expected uses of our surface transportation system in the same timeframes to support a strong and competitive economy, including recommendations regarding design and operational standards, Federal policies, and legislative changes; and (3) develop short-term and long-term alternatives to supplement or replace the Federal fuel excise taxes as the principal revenue source to support the Federal Highway Trust Fund.

Chaired by the Secretary of the U.S. Department of Transportation, the Commission is comprised of 12 members. The Commission includes eight Republican appointees and four Democratic appointees. By law the Secretary of Transportation was appointed to the Commission and named chairperson. President Bush appointed three members of the Commission. Then-Speaker Hastert, then-Minority Leader Pelosi, then-Majority Leader Frist, and then-Minority Leader Reid each appointed two members of the Commission. The Commissioners represent Federal, state and local governments; metropolitan planning organizations; transportation-related industries; and public interest organizations.

Since May 2006, the Commission has met 22 times to hear about the challenges facing America's surface transportation network. Throughout this process, the Commissioners have heard testimony from national transportation advocates, policymakers, industry, labor, and from the general public. The Commission held ten field hearings around the country, where the Commissioners heard testimony from 231 witnesses. The Commission also met 12 times in Washington, D.C., where they heard testimony from 62 witnesses.

Throughout this process of hearings and public meetings, the Commission determined that several themes emerged:

1. The Federal government needs to play a continued role in the nation's transportation system. The Federal role must be focused on core activities, and Federal regulations need to be reformed to deliver projects more efficiently.

2. Far greater surface transportation investment is necessary by all levels of government and the private sector.

3. Structural changes must occur in the program to address metropolitan and freight congestion.

COMMISSION RECOMMENDATIONS

The Commission's report, which is supported by 9 of the 12 Commissioners, concludes that incremental changes to the existing Federal surface transportation system are no longer acceptable. The Commission recommends a "new beginning," and expresses concerns with reauthorizing the Federal surface transportation program in its current form. This conclusion is based on the finding that the nation is outgrowing the current surface transportation system, threatening passenger and freight mobility and economic competitiveness. It is also based on the conclusion that the program has lacked a national vision and purpose since the completion of the Interstate System, which has undermined the public's understanding of the importance of continued surface transportation investment.

The new Federal compact the Commission envisions includes:

- A strong Federal role in surface transportation;
- Increased expenditures from all levels of government and the private sector;
- A commitment to the more effective use of tax dollars;
- Federal funding that is conditioned on performance measures and cost effectiveness; and
- Program reform to eliminate waste and delays in program delivery.

SURFACE TRANSPORTATION NEEDS ANALYSIS AND INVESTMENT GAP

The Commission report identifies a significant surface transportation investment gap, and calls for an annual investment level of between $225 and $340 billion—by all levels of government and the private sector—over the next 50 years to upgrade all modes of surface transportation (highways, bridges, public transit, freight rail and intercity passenger rail) to a state of good repair. The current the annual capital investment from all sources in all modes of transportation is $85 billion.

Currently, $68 billion is invested annually from all sources in capital improvements to Federal-aid **highways and bridges**. According to the analysis in the report's base case scenario, sustaining this rate of investment (in constant 2006 dollars) over an extended period of time would lead to significant deterioration in system operational performance and physical condition. The Commission's highways base case analysis found that:

- Delays experienced by travelers on principle arterial highways to increase by one-fifth by 2020, by one-half by 2035, and double by 2050.
- The situation would be more acute in urban areas where delays are projected to grow by over one-half by 2020, more than double by 2035, and quadruple by 2055.
- The percentage of vehicles miles traveled occurring on National Highway System roadways that meet U.S. DOT's standard for "acceptable" ride quality would decline from approximately 85 percent in 2005 to just below 60 percent in 2055.

Currently, **transit** capital investment from all sources is approximately $13 billion annually. The Commission's base case transit analysis found that if the current level of transit capital investment is maintained (in constant 2006 dollars), without significant changes to the current institutional structure, transit ridership would grow due to growth in population, however, transit's marketshare and the overall condition of transit assets would decline over time.

With regard to **freight rail**, if the forecast of Global Insight, Inc.'s economic output of the U.S. is correct and total freight movement increases 92 percent over the next 30 years, the performance of our nation's freight rail system will degrade significantly if it maintains its current market share unless there are expansions to the capacity of the system. For example, currently 88 percent of primary freight rail currently operates at levels below its theoretical capacity, meaning there is sufficient capacity to accommodate periodic maintenance activities and to recover from incidents that interfere with routine operations. Further, nine percent operates near its theoretical capacity and three percent operates at its theoretical capacity limit, meaning there is limited ability to accommodate maintenance needs or accommodate incidents.

However, if there is no additional capacity added by 2035, the Commission projects that the percentage of rail corridors operating below capacity would decline to 44 percent and corridors operating at capacity would increase to 15 percent and corridors operating above their theoretical capacity would increase to 30 percent, which is characterized by unstable flows and service breakdown conditions. This situation would be experienced in terms of routine service interruptions and a constant questionability of product delivery.

In identifying the long-term capital investment needs, the Commission's analysis developed a number of scenarios to determine the investment levels necessary to maintain or improve the operating performance and condition of the current surface transportation network. As noted above, the report calls for a total investment level from all sources in the range of $225 billion to $340 billion annually. The report analysis specifies average annual investment levels over the 50-year period 2005-2055 of:

- $185 billion to $276 billion annually for highways;
- $26 billion to $46 billion for public transportation;
- $5.3 billion to $7.7 billion for freight rail; and
- $7.4 billion to $10.6 billion for intercity passenger rail.

The highway investment scenarios analyzed in the report range from the estimated costs of maintaining current condition and performance levels, to more aggressive investment strategies designed to reflect the impact of maximum levels of cost-beneficial investments. The low end of the range assumes aggressive strategies to reduce energy consumption and travel demand, as well as implementation of new technologies to improve operational performance. A key aspect of this analysis is the extent of peak-hour congestion pricing in urban areas. The high end of the range assumes aggressive expansion of the highway system capacity, including efforts to improve rural connectivity and separate freight and passenger traffic.

For public transportation, the low end of the scenario range represents the estimated cost of maintaining the current level of condition and operating performance. The high end of the range represents the estimated cost of improving the current level of conditions and operating performance while accommodating significantly higher levels of transit ridership and market-share.

The Commission's freight rail investment analysis finds that the annual funding level necessary to maintain freight rail's market share would be approximately $5.3 billion a year through 2035. The Commission projects that the average cost will increase to $5.7 billion a year between 2035 and 2055, reflecting the assumption that less expensive capacity improvement options will be exhausted by 2035, leaving only the more expensive options of adding second, third, or fourth tracks. The high end of the range, $7.7 billion a year, assumes increasing rail's market share 20 percent, which would require 34 percent additional rail capacity investment over the same time period.

For intercity passenger rail, the Commission projects that re-establishing the national intercity passenger rail network between now and 2050 would cost $357.2 billion in capital expenses, for an annualized cost of $8.1 billion. However, the range of costs reflects different periods of intercity passenger rail needs. The immediate annual capital costs from 2007 to 2015 are $7.4 billion a year, reflecting limited new services coming online along with upgrading existing rail service. From 2016 to 2030, the Commission projects the majority of new services will be coming online and further upgrades will be required for existing rail service that will reflect the high end of the range at $10.6 billion a year. Finally, the low end of the range reflects the long-term capital cost needs from 2031 to 2050 of $6.6 billion a year.

Programmatic Restructuring to Advance to the National Interest

To address the concern over the lack of a national vision, the Commission recommends condensing the numerous existing Federal surface transportation programs down to ten areas of Federal interests. These ten focus areas are based on a desired outcome, as opposed to the current modal organization of the surface transportation system. DOT, in conjunction with state and local governments, multi-state coalitions, users, and public and private stakeholders, would establish a set of performance standards in each of these areas. The approach would be mode neutral, and would allow local and state governments to choose the modal options best suited to achieve the outcomes required to meet its performance standards.

The ten functional program areas that the Commission recommends are:

- **Rebuilding America: A National Asset Management Program**
  This program aims to keep America's existing infrastructure properly maintained in an efficient and cost-effective manner. It would focus on the Interstate system, the NHS, transit assets, intercity passenger and freight rail, and intermodal connectors, all areas the Commission identified as having a strong Federal interest. State and local governments would be required to have a program of asset maintenance that conforms to national standards.

- **Freight Transportation: A Program to Enhance Global Competitiveness**
  This program would provide public investment in crucial, high-cost infrastructure on the Federal-aid highway system, with a focus on the Interstate System and the NHS. It would also include public-private partnerships that have the potential for national and regional benefits, including facilitating international trade, relieving congestion, and creating intermodal connections around ports.

- **Congestion Relief: A Program of Improved Metropolitan Mobility**
  This program would aim to reduce congestion in metropolitan areas of one million or more in population. The report notes that this would involve substantial capital investment and require comprehensive local strategies. Projects under this program would include demand management initiatives such as congestion pricing, improved operations, increased transit capacity and ridership, and expanded highway capacity.

- **Saving Lives: A National Safe Mobility Program**
  This program would create a national plan for safety that would inform investment decisions in all surface transportation programs and would create new safety initiatives as well. DOT would develop the national strategy, and the Commission recommends a goal of cutting surface transportation fatalities in half by the year 2025. States and metropolitan areas would be responsible for developing broad strategies to reach their specific goals across all modes.

- **Connecting America: A National Access Program for Smaller Cities and Rural Areas**
  This program aims to bring surface transportation connections to the rural and urban areas that were not developed when past highway and rail networks were created. The program goal is to create high-performing connections for freight and passengers in these underserved areas.

- **Intercity Passenger Rail: A Program to Serve High-Growth Corridors By Rail**
  The Commission views intercity passenger rail as a critical missing link in the nation's surface transportation infrastructure. This program would create an intercity passenger rail service that primarily connects population centers within 500 miles of each other and provides competitive, reliable, and frequent service. This would include investment to support capacity and performance requirements for both passenger and freight service, and the development and expansion of rights-of-way that would allow for separate passenger and freight operations.

- **Environmental Stewardship: Transportation Investment Program to Support a Healthy Environment**
  The Commission recommends investing 7 percent of the total Federal surface transportation investment in environmental stewardship. This program would give more flexibility to the states in their efforts to mitigate congestion, and would have specific emphasis on four broad categories: air quality, including smoother traffic flow, intermodal freight options, and encouraging carpooling and transit; vehicle retrofit; transportation enhancements; and programmatic mitigation, including banking both money and land to preserve endangered habitats. Ten percent of the program funds would be spent on each of the four categories, with the remaining 60 percent for the state's discretion.

- **Energy Security: A Program to Accelerate the Development of Environmentally-Friendly Replacement Fuels**

This program calls for investing $200 million per year over the next decade into transportation energy research and development in conjunction with ongoing research being conducted by the U.S. Department of Energy.

➢ **Federal Lands: A Program for Providing Public Access**
This program would continue the Federal government's role in providing transportation access to Federal lands. The goal of this program is to alleviate the pressure on Federal lands coming from increased tourism and urban growth in nearby areas.

➢ **Research, Development, and Technology: A Coherent Transportation Research Program for the Nation**
This program would monitor research efforts across America and internationally, and would target funds to research gaps. It would also invest in robust, predictable data collection and performance modeling.

The Commission does not envision that these programs would operate independently of one another. Because individual projects may contribute to achieving performance goals in multiple functional programs, the Commission believes that coordination of planning activities required for each program will be essential.

The current surface transportation program requires state and local governments to undertake a comprehensive public planning process, which should consider land use, development, safety, and security issues, to develop a plan to meet the region's transportation goals. The Commission's recommendations would differ in that the plans called for in the report would have to be developed to meet specific performance standards, and major projects identified in the report would have to be shown to be cost-beneficial. The Commission recommends that planning activities continue to be funded through a percentage of the total authorized funding for the Federal surface transportation program. These plans would be designed to meet national performance goals, and would serve as the basis for apportioning funds to the States on a "cost-to-complete" basis consistent with a national strategic plan compiled by the U.S. DOT.

NATIONAL SURFACE TRANSPORTATION COMMISSION ("NASTRAC")

In addition to these 10 functional programs, the Commission recommends the creation of an independent NASTRAC, modeled after the Postal Regulatory Commission, the Base Closure and Realignment Commission, and public utility commissions. The bipartisan, 10–member Commission would work with U.S. DOT, state and local officials, and stakeholders to develop performance standards in the 10 focus areas. These performance standards, and the plans developed to achieve these standards, would be the basis for the national transportation strategic plan.

From this national transportation strategic plan, NASTRAC would determine the cost of financing the plan and would recommend "appropriate revenue adjustments" to Congress to implement the national transportation strategic plan. The NASTRAC recommendations would come before Congress and could be struck down by a two-thirds veto. If no actions were taken, the recommendations would become law, and no amendments would be permitted.

PROJECT DELIVERY

The Commission's report outlines several recommendations to streamline the delivery of transportation projects. The core of these recommendations revolve around the need to expedite the permit process within Federal agencies and to reduce redundancies in the National Environmental Policy Act (NEPA) Process, which requires environmental impact studies (EISs) to be performed for major Federal actions that significantly effect the environment.

To improve the NEPA process, the Commission recommends several reforms:

- Simplified NEPA process for projects with few significant impacts similar to the "1040 EZ tax return."
- Revise the Council on Environmental Quality (CEQ) regulations to allow a single EIS in the NEPA Process rather than the current requirement for a draft and final EIS.
- Revise CEQ regulations to narrow the number of "reasonable alternatives" based on project-level decision, community values, and funding realities.
- Make changes to the early planning process, such as handling impact identification and mitigation issues early in the planning process in an integrated fashion.
- Encourage the Federal Highway Administration to set minimum conditions to determine general project location, modal choice, and develop a risk management plan during the scoping period.
- Finally, the "risk design" approach should be standardized so that project sponsors can begin design activities at risk during the EIS process.

The Commission also recommended improvements to expedite the permit process. Greater coordination requirements among Federal agencies should be implemented, including setting time limits for review of permits, using federal transportation funds to pay for regulatory staff to speed reviews, and establishing a cabinet-level appeal process where U.S. DOT can seek redress for adverse decisions.

Several of these recommendations were addressed in SAFETEA-LU. Under the environmental review process, the lead federal agency is provided an opportunity to define the project's purpose, need, and establish alternatives as early as practicable in the process. Additionally, to limit delays to projects, Congress must be notified of any delays greater than thirty days, and a 180-day statute of limitation was imposed for lawsuits challenging Federal agency approvals.

GENERATING THE REVENUES NECESSARY TO IMPLEMENT THE PLAN

The Commission report found that a significant increase in investments will be required by all levels of government and the private sector to develop, construct and maintain the transportation system necessary to meet the Nation's current and future passenger and freight mobility and access needs. The report found that the annual investment requirement to improve the condition and performance of all modes of surface transportation—highways, bridges, public transit, freight rail and intercity passenger rail—ranges between $225 and $340 billion by all levels of government and the private sector.

To generate the revenue to achieve this level of investment, the Commission recommends increasing the Federal motor fuel excise tax by between 25 and 40 cents per gallon to achieve this investment target with the traditional Federal share of 40 percent of total transportation capital costs. The report also recommends that any rate increase be indexed to inflation and/or construction material costs, and phased in over five years.

The Commission calls for the motor fuel excise tax to be the primary recommended user fee because the excise tax will continue to be a viable revenue source for surface transportation at least through 2025. The report calls for the identification of an alternative user-based revenue source to be phased in beyond the 2025 timeframe. The Commissioners believe that a vehicle miles traveled fee is a promising alternative revenue source, provided that substantial privacy and collection cost issues can be addressed.

Under the Commission's recommendations, a restructured and renamed Highway Trust Fund ("HTF") would be retained—the Surface Transportation Trust Fund ("STTF"). The STTF revenue would be dedicated to surface transportation investment, and would retain many aspects and structural features of the HTF, such as budgetary firewalls, and Revenue Aligned Budget Authority ("RABA").

The Commission also recommends establishing other user-based fees to assist in meeting the investment shortfall, such as designating a portion of current Customs duties or imposing a container fees for freight projects, and/or creating ticket taxes for passenger rail and public transportation improvements. They also call for tax incentives to expand intermodal networks; and recommend increased utilization of "congestion pricing" on Federal-aid highways in major metropolitan areas and expanded flexibility for tolling the Interstate, as long as these alternatives protect the public interest and the revenues generated are restricted to transportation purposes in the travel corridors where the fees are imposed. The report also calls for encouraging public-private partnerships provided that conditions are included to protect the public interest and the movement of interstate commerce.

COMMENTS FROM COMMISSIONERS NOT SUPPORTING THE COMMISSION'S FINAL RECOMMENDATIONS

Three members of the Commission, including Commission Chair Secretary of Transportation Mary Peters, did not support the report's recommendations. This minority cites the decline in system performance and the politicization of investment decisions as today's most pressing transportation problems, and recommends using the principle of supply and demand to solve them. They assert that congestion and system unreliability will worsen if we continue to rely on a "Federal-centric tax-based financing and regulatory system" that does not give enough control to State and local governments.

The minority recommends sustaining current motor fuel and diesel excise levels, while shifting more financial responsibility to private sector investors and the public as a whole through increased tolling, congestion pricing, and public-private partnerships. They also recommend a Federal role that is limited to maintaining the Interstate System, alleviating freight-related bottlenecks, and providing States with analysis, incentives, and flexibility regarding the adoption of market-based reforms for their highway systems.

Though the minority finds several areas of agreement with the majority's findings—such as the importance of the transportation system, the need for sustained investment, opportunities for simplification, consolidation, and streamlining of Federal programs, and the need for greater accountability and rationality in investment decisions—they generally disagree with the Commission's conclusions and recommendations. The minority's disagreements with the report are summarized in seven points:

1) The minority argues that Federal fuel taxes are not a solution to our surface transportation problems, and are ineffective, wasteful and regressive. They assert that the majority fails to adequately consider alternatives such as direct pricing. The Commission does envision replacing the fuel tax with a more direct user fee, such as vehicle miles traveled fee, in the year 2025, however, the minority would prefer this transition take place much sooner.

2) The minority characterizes the Commission's vision of the Federal role in a national transportation system as "unnecessarily large."

3) The minority disputes the definition of "needs" that the Commission used to estimate fuel tax calculations. They contend that there are far fewer transportation investments that are justifiable on a cost analysis basis than the report suggests.

4) The minority calls the Commission's proposal to create an independent governance commission ("NASTRAC") to oversee a national transportation plan "neither practical nor good policy."

5) The minority disagrees with the Commission's proposals to limit congestion pricing of Interstate highways to metropolitan areas of 1 million or more in population, and to restrict the use of toll and lease revenues to the facility being tolled or leased or to roads or facilities within the same corridor or network.

6) The minority suggests that the Commission takes an inconsistent approach to earmarking by recognizing the inefficiencies of earmarking while, at the same time, recommending that certain percentages of transportation funding be set aside for purposes outlined in the report.

7) The minority argues that the energy research and investment recommendations are more appropriately left to the Department of Energy.

PREVIOUS COMMITTEE ACTION

The Subcommittee on Highways and Transit held a hearing on January 24, 2007, regarding the nation's surface transportation system and the challenges and changes it will face 30 to 50 years into the future, as well as to examine how the system will need to adapt to support the changing and expanding economy.

The Subcommittee on Railroads, Pipelines, and Hazardous Materials met to hear testimony on the Benefits of Intercity Passenger Rail on June 26, 2007.

The Full Committee on Transportation and Infrastructure met on September 25th, 2007, to hear testimony on Rail Competition and Service.

The Committee on Transportation and Infrastructure held an earlier hearing on the Commission report on January 17, 2008.

WITNESS LIST

PANEL I

Chair, The Honorable Mary Peters
Secretary
U.S. Department of Transportation
Washington, DC

PANEL II

Mr. Pete Rahn
Director
Missouri Department of Transportation,
President
American Association of State Highway and Transportation Officials
Jefferson City, MO

Mr. Christopher P. Boylan
Vice Chair – Government Relations
American Public Transportation Association,
Deputy Executive Director
Corporate Affairs and Communications
Metropolitan Transportation Authority
New York, NY

Mr. C. Randal Mullett
Vice President
Government Relations and Public Affairs
Con-Way, Inc.
Washington, DC

HEARING ON REVIEWING THE NATIONAL SURFACE TRANSPORTATION POLICY AND REVENUE STUDY COMMISSION REPORT: "TRANSPORTATION FOR TOMORROW"

Wednesday, February 13, 2008

HOUSE OF REPRESENTATIVES,
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
Washington, DC.

The Committee met, pursuant to call, at 10:00 a.m., in Room 2167, Rayburn House Office Building, the Honorable James L. Oberstar [Chairman of the Committee] presiding.

Mr. OBERSTAR. The Committee on Transportation and Infrastructure will come to order.

It is with great appreciation for and admiration of those who slugged their way through the icy Washington and suburban streets this morning. I know that myself I had to dodge a few fallen trees and fallen branches. But I made it through. Now, if my voice will only hold up, I have been fighting an upper respiratory infection for the last month, and it is winding down.

So I will spare you a very long opening statement and simply say that we heard from the majority members of the Commission on the report, the national commission on the future needs of transportation, National Policy and Revenue Study Review Commission. The Commission was very blunt in pointing out a clear assessment of the needs and an analysis of solutions, a range of options, recommendations to achieve those investments in policy objectives that were set out in the report that I thought was very clear and very well written. I have read about 95 percent of it now.

It very clearly frames the choices facing the Congress as we develop policy options for the future for the traveling public, the users of our great interstate and national systems. We are on the threshold of a new transformational era of transportation. We called it the Fourth Transformational Era in the history of transportation over the last century. Very stark in the Commission's report was their blunt assessment that there is no free lunch in transportation infrastructure. Rebuilding the portfolio of highway, transit, bridge needs in this Country is expensive. But we have a very rich portfolio of surface transportation, and it is not an option to ignore, it is a requirement for us to invest in, maintain it and expand upon it.

The Department of Transportation in its 2006 report for the Bureau of Transportation Statistics, says that passenger vehicle miles traveled over the previous decade grew 50 percent. Truck traffic grew 100 percent. But our roadway capacity grew .65 percent.

I don't think we need necessarily to have vehicle miles to expand at the same ratio as vehicle miles traveled, but we do need to continue the upgrading and the capacity enhancement of at lest our existing portfolio and I think the Commission has pointed us in the right direction. I think that is two years of hard work, very intensive hearings across the Country, produced one of the finest Government reports that I have observed in my years of service in Congress.

Secretary Peters was a minority view on that report. And we look forward to hearing her contrasting views this morning.

Mr. Mica?

Mr. MICA. Thank you, Mr. Chairman, and thank you also for granting the request of the minority to have the Secretary appear in a separate panel.

Mr. OBERSTAR. We invited her to appear in the first panel, or to appear separately on the same day but that was not possible.

Mr. MICA. Right. And she is here today, and we thank you for affording her this separate opportunity to present her opinion.

Also, I highly recommend that you sell your car and that you afford yourself mass transit and move close to the Hill and walk like I did this morning. I had no problem getting here. I got rid of the car and I see Bill Millar up there, he will be glad to give you all the bus and transit route. I think Metro was running on time in spite of the ice and snow this morning. If we could get more folks to do that, we would have less congestion.

But we do need, and I might take issue with the Administration, more money for mass transit, so we will give everybody a little plug here.

Mr. OBERSTAR. Sounds like we have a convert over here.

Mr. MICA. I am one of the strongest advocates.

But I think that what we need to do is, it is not always how much money you spend, it is sometimes how you spend it. There is no question we do need more money, and the Commission did identify the fact that we have a huge demand. We need to be spending three or four times what we have in building our infrastructure.

But there are some things that the Commission identified, Mr. Chairman, again, for the record, long-term options, I think they presented excellent long-term options which I support. I think political timing on the political reality we have to deal with, the 40 cent proposal went over like a lead balloon. And timing is everything in politics or dramatic proposals. But the need is there, we will identify that.

And lastly, I loved the testimony from Commissioner Skancke, and let me quote him: "If you add one Federal dollar to a transportation project, that adds a minimum of 10 to 14 years to the project before it actually gets started. That costs time and money." Then as far as costs, for a billion dollar project today, by the time you would finish it under a Federal schedule, would add $3 billion to $4 billion in costs. So we could get more for sometimes the same amount or a little bit more if we better utilize our funds.

But the options that are presented are great. I look forward to hearing the Secretary's comments. I apologize, too, Mr. Chairman, I love the Secretary, she is very popular, very photogenic, but I am on Government Reform and Roger Clemens is stealing the show today. I am a senior Member of that Committee, so I will be hopping back and forth. I am required in both places and apologize in advance.

And I welcome Kareem Golden, a student leader from my district, who is shadowing me today.

Thank you so much, Mr. Chairman.

Mr. OBERSTAR. Thank you for your opening comments, Mr. Mica. We greatly appreciate your being here.

The Secretary is not under the same kind of scrutiny that Mr. Clemens is in the hearing next door, by any means. She is drug-free.

[Laughter.]

Mr. OBERSTAR. Although I must say, we would welcome a surface transportation on steroids.

[Laughter.]

Mr. OBERSTAR. Mr. DeFazio.

Mr. DEFAZIO. Thank you, Mr. Chairman.

Mr. Chairman, I will be very brief so we can move ahead and hear the testimony of the Secretary and get into questions.

The bottom line of the Commission was the reality that most Americans recognize on a day to day basis, that our transportation system is in dire need of major investment. I mean, not only do we have bridges, as in your State, falling down, we have nearly 150,000 bridges that are either functionally obsolete or structurally obsolete. I think if we posted all those bridges with big signs saying, caution, you are about to drive over a bridge that is structurally deficient, it might get the attention of the traveling public and get them even more interested in seeing increased investment.

Increased investment at this time would also be opportune, given both our problems internationally with our huge trade deficit. You can't export the jobs and the economic activity that comes from transportation investment, makes us more competitive internationally, and certainly we need jobs at this point in time. So for a host of reasons, the report was timely. And I look forward to disagreeing with the Secretary over how we are going to reach those goals of investment.

Thank you, Mr. Chairman.

Mr. OBERSTAR. Thank you, Mr. DeFazio.

Mr. Petri.

Mr. PETRI. Thank you very much, Mr. Chairman.

I just would like to say briefly that our Country is in a competitive situation in a rapidly-changing world. Over the last 40 to 50 years, we have radically reformed major sectors of our economy by deregulating different modes to lower costs, doing business in the American economy, so that we could maintain our standard of living and have a future for our children.

If we under-invest in our infrastructure, we are going to be losing efficiency as a society and becoming less competitive going forward. So I frankly have been disappointed that the Administration has not provided more leadership in this area in helping focus attention and gathering the resources necessary, not just throwing money at the problem. But if we continue to decline as a society in the efficiency with which we move goods and people, it is going to raise costs and over time, move activity to other places in the world and we will be poorer for it.

The Chairman spoke of this being a transformational period. I hope it is a period where people use the opportunity, it is a crisis because of the financial uncertainty right now surrounding the bursting of some bubbles and so on. But it is also an opportunity. Paul Krugman recently wrote a column sadly saying he thought the economy might be slow for not just six months but for a number of years, and that infrastructure investment was a logical way of helping to move through this period. I hope we do take that opportunity to think about it, get good advice and then build a program to not just deal with the economic slow-down in the short term, but do that and help make our Country more competitive longer term with adequate infrastructure.

The Commission recommended major restructuring of the way we do this, which I think is wonderful, because it will increase public confidence that the money that is invested in infrastructure is well spent, not frittered away on what are called earmarks or projects sometimes misunderstood, sometimes probably appropriately understood as not appropriate. But in any event, thank you, Mr. Chairman, for having this hearing, and I look forward to hearing the Secretary.

Mr. OBERSTAR. Thank you. Thank you very much for those thoughtful remarks, born of many years of serving as the Chair of the Surface Transportation Subcommittee.

Madam Secretary, we welcome your comments and thank you for participating with us this morning.

TESTIMONY OF THE HONORABLE MARY E. PETERS, SECRETARY, UNITED STATES DEPARTMENT OF TRANSPORTATION

Secretary PETERS. Mr. Chairman, thank you so much. Ranking Member Mica, Members of the Committee, I do appreciate the courtesy that you and the Chairman have offered me to appear here today.

As was indicated, there is a Clemens hearing going on, which may be more interesting, but I would argue that ours is the more important hearing. And again, for the record, Mr. Chairman, I have never taken human growth hormones, ever.

[Laughter.]

Mr. OBERSTAR. I am counting on that. And this is a more important hearing, believe me.

Secretary PETERS. We women really don't want to grow bigger, we want to be smaller. That is what we look forward to doing.

Let me begin by saying, over the past 20 months, the Policy and Revenue Commission met on numerous occasions, engaged in wide-ranging discussions with many people around the Nation about the current and future transportation needs of our Nation. I believe that this time has been very well spent, and I value and appreciate the contributions by all of my fellow commissioners.

Although I do disagree with some of the central elements of the Commission report, that disagreement in no way detracts from my respect for my colleagues on the Commission. They are to be commended for their hard work and their dedication.

Last week, the Administration released its fiscal year 2009 budget, which funds the final year of the $286.4 billion SAFETEA-LU authorization. It is clear that we are just limping over the finish line, with the Highway Trust Fund's short-term future unclear and its long-term in serious jeopardy. This highlights the significant limitations in our current policies and it demands a new direction. It is short-sighted to continue reliance on a fuel tax at the same time we are pushing increased energy efficiency, better air quality standards, and a reduction in our dependence on foreign oil.

Given the significance of our transportation challenges and the resultant effective on our economy and quality of life, it is imperative that we work together to reach a bipartisan consensus on the nature of these challenges. While we may not always be able to reach complete agreement on the appropriate solutions to our surface transportation problems, we must come together and agree on a common definition of what the problem is and recognize that fundamental change is indeed required.

I have spent many years working in this field, and I have concluded that the central problem in transportation today is not how much we are paying for infrastructure, but perhaps how we are paying for infrastructure. Our current transportation funding, an indirect user fee, provides the wrong incentives and signals to both users and owners of the system, resulting in over-use of the system, especially during peak periods. I often compare this to the Tragedy of the Commons, when it was over-used, to a point that the Commons, of course, was no longer productive. In fact, I believe that the chronic revenue shortfalls that we face are more a symptom of the problem than the cause.

Americans overwhelmingly oppose gas tax increases, because real world experience tells them that they don't provide a benefit to them. This is evidenced by a failure in system performance. Over the past 25 years, despite substantial increases in Federal, State and local transportation spending, much of it from fuel taxes, we have witnessed a rapid growth in highway congestion. In the past 25 years, highway funding has increased 100 percent, while congestion during this same period increased by 300 percent. The system failure is impacting our families, our businesses and our environment.

Americans have become increasingly disgruntled about the declining performance of the transportation system, but also are unwilling to support transportation-related tax increases. Some in the transportation field argue that we have simply failed to communicate the importance of transportation to the average American. To me and to other observers, this represents a failure in public confidence and traditional approaches.

Public opinion surveys confirm this view. A recently-released survey out of Washington State found that voters preferred high-speed variable tolling to gas tax increases by a margin of 77 to 17. This survey is consistent with a number of others conducted across the

United States that have found deteriorating support for gas taxes and growing support for direct charges.

I agree with those who call for greater Federal leadership and the Commission report does call for that. I do not concede, however, that Federal leadership simply implies substantially greater Federal spending and dramatically higher fuel taxes. In fact, it is far more critical that the Federal Government establish clear policies, provide appropriate incentives and allocate resources more efficiently than it is for substantial increases in Federal spending.

It is essential that we on the Federal level work together and demonstrate this type of leadership. I truly believe that there has never been a more exciting time in the history of surface transportation.

Mr. Chairman, I agree that it is a transformational era. We are at a point where meaningful change is not only conceivable, but is actually being implemented in various parts of the United States. We have before us a tremendous opportunity; an opportunity to make significant changes that will reverse the substantial performance declines in the Nation's surface transportation infrastructure. This will benefit the American businesses and families that depend on our infrastructure every day.

Mr. Chairman, again, I thank the Committee for allowing me to testify. I look forward to working with you to address these transportation challenges.

Mr. OBERSTAR. Thank you very much for your statement. I found it interesting that you made a distinction between how much and how. You say the issue is not how much we pay, or I would say invest, but how we invest.

Apart from Social Security, the most successful social experiment in this Country has been the Highway Trust Fund, in my opinion. I have leaders from transportation sectors of major industrialized countries throughout the world coming to the U.S. to visit with, and the first question they ask, whether it is the Minister of Transportation of France, last year about this time, or the Minister from Argentina, the Chair of the Argentine Transportation Committee, who say, how do you do it in America, how do you build this interstate highway system, how do you maintain this great network of roads and create the mobility? The Highway Trust Fund, dedicated revenue stream, it has been enormously successful.

I believe the Highway Trust Fund and the user fee must remain the cornerstone of transportation financing for the future. Do you agree or disagree with that?

Secretary PETERS. Mr. Chairman, I do agree that depending on user fees is the best way to go. I think my question is, what kind of a user fee is best.

Mr. OBERSTAR. You wouldn't do away with the existing user fee?

Secretary PETERS. No, Mr. Chairman, not the existing.

Mr. OBERSTAR. Okay. It is good to establish that. Proceed.

Secretary PETERS. At least not at this point in time, Mr. Chairman.

Mr. OBERSTAR. Not at any point in time, I will tell you.

Secretary PETERS. Let me talk about why I think there are problems with the gas tax and our continued dependence on the gas tax into the future. It is a more indirect than a direct user fee. And even though it is related to use of the system, when the interstate highway system was being built, what was then established and served us very well, as you said, Mr. Chairman, was a gas tax that was incrementally increased to equate to the cost to complete the interstate highway system. And again, it did deliver one of the most impressive infrastructure projects this world has seen to date.

But today, there are problems with the gas tax. It is ineffective at reducing congestion. And that really gets to the basis, Mr. Chairman, of what I was saying, it is not how much but how. Because when we pay on a demand basis, and not every road, I concede, would be susceptible to that, but when we pay on a demand basis, we gauge our use a little bit differently. It leads to over-consumption during peak periods.

The recently-completed household travel survey I think underscored some of the issues that we are facing. During peak periods of time, we tend to think that most of the users of the transportation sytem are commuting to work and back. In fact, the truth is, only about 50 percent of them are making commute trips to work and back. Twenty percent of them are retired, which could argue that they have some discretion when and how they use the system. So this tells us that through a small change in pricing, we can incentivize some people not to use the road during peak periods and get much better use out of that road.

The gas tax contradicts our energy policy, a very good piece of legislation that this body just recently enacted, that tells us we want to increase fuel efficiency in our vehicles, we want to lessen our dependence on foreign oils and we want to increase the use of alternative and renewable fuels. And the yield is simply not sufficient, it is not reliable and it is not sustainable to carry forward our transportation system in the future.

Further, we have what I call a failure of consumer confidence. If the public were clamoring for the gas tax to have been increased, we would have done it a long time ago.

Mr. OBERSTAR. Well, I have to interrupt you at that point, Madam Secretary. I didn't mean for you to have a soliloquy on this subject. Your statement that the public is overwhelmingly opposed to an increase in user fee belies the failure of leadership at the top. If the Administration, if you as Secretary were advocating for it, a lot of people who are undecided about this or confused by it would come around to support it.

When I am traveling in my district, when I am traveling in other parts of the Country, and have a serious discussion about user fees, people understand it, they know it is directly related to their transportation needs, they know that the money goes into the trust fund and out in the form of improved roads and bridges and transit systems. So I think the advocacy of privatization, tolling and rationing as the solution to the Nation's transportation crisis is a narrow, myopic, uninspired and fragmented approach. It does not rise to the merit of being called a policy.

Mr. Petri?

Mr. PETRI. I have two questions. One, I know the Commission was appointed by representatives from the Administration and House and Senate, a number of people who took their responsibilities very seriously and had a lot of background. The Commission worked very hard to attempt to reach a consensus, but ultimately failed. The two questions are if you could discuss the areas of disagreement or the conflicting visions of the future where you were unable to bridge; and secondly, the point you made about yes, there is congestion, but only at certain times and in certain areas that we could probably run the system more efficiently with some kind of congestion pricing or other way of dealing with it.

Could you flesh that out a little? Would the idea be, that if you were to, for example, raise the gas tax or some other fee on everyone and then give a discount if they didn't drive? It might work better than charging people extra if they did drive. I don't know. I am just curious as to how much thought has really been given to how that sort of thing would work. We are familiar with what has been going on in Europe and London and some other areas.

And cities do have, not pricing, but they do have rules, trucks aren't allowed in during certain hours, so they have to do deliveries at night. It has been suggested for the Alameda Corridor, if we would run trucks back and forth from the Port of Long Beach at night, they wouldn't have had to go through this tremendous expense. But that involves changing a lot of systems and there is resistance from people who work there and everyone else.

Anyway, if you could address those in the brief time remaining, I would appreciate it.

Secretary PETERS. Congressman, I would be pleased to do that.

There are many recommendations in the Commission report that I do support and did agree with, as did other Members of the minority. The key importance of our transportation system, the multimodal nature of that system and how that must continue into the future. The opportunity to simplify Federal programs and funding categories was an area of agreement, as was the proposal for streamlining the current planning and environmental processes.

We also agreed that we needed to make much efficient investment in transportation in the future, and that we needed to link Federal participation to that in the case of the ten proposed programs that the majority commissioners recommended to more clearly define Federal interest. I think is where, Congressman Petri, that I really believe we need to focus in. We had a compelling national interest when we were building the interstate system, and people signed on to doing that, and there was a great deal of public support for doing that.

But today, the Federal surface transportation programs are so bifurcated, some 108 of them, in our highway and transit programs, that there isn't a compelling Federal interest that is being served. This leads, then, I think, to sub-optimization of the revenues and the resources that we have.

Where I disagreed with other members of the Commission was the over-statement of future needs. I think that they used the highest investment instead of the most probable or that which is truly cost-effective in making. Increasing the Federal fuel tax, we have talked about, I do not concur with. And the large Federal role in funding and managing the system, as well as the governance commission. I think that there is much we can do by streamlining these programs and putting more of the authority and responsibility back down to the State and local level.

I have spent most of my adult life in this field. If I truly thought the gas tax was the way to go, I would be the first to advocate that. But I simply do not. This is not an ideological opinion. It is an opinion based on my serious examination of the gas tax over time. The Federal interest, in terms of going forward, has to be defined very, very clearly. We should collect, at the Federal level, only those revenues that are attendant to those needs, and again, give the State and local governments or the private sector more opportunity to invest.

Let me talk about what I mentioned and your question about congestion pricing. Congestion pricing and pure revenue tolling are actually two different concepts. Congestion pricing is designed to spread traffic flows more efficiently to reduce the enormous economic costs of congestion and to reduce pollution. It does this by incentivizing, via price signals, just a small number of people not to use the road at that given period of time.

I would call to your attention what I call the "August in Washington" phenomenon. Many of us who happen to be in town here—those who can get out of town do—but those of us who are in town here in August find that the transportation system works significantly better than it does the Tuesday after Labor Day, when it all goes to heck in a handcart. What happens during August is that, due to vacations and the like, approximately 50 percent of commuters don't use the road. A small usage reduction makes an enormous difference in how efficiently that road operates. Gas taxes are use fees, but they simply are too indirect to influence decisions about when and how to use the road.

Mr. OBERSTAR. Thank you, Madam Secretary.

We are in the midst of a vote on the House Floor on the motion to adjourn. But there are—392 haven't voted yet. So we will go next to Mr. DeFazio. I just want to observe that while you critiqued the Commission for having picked the highest end, the reality in transportation statistics is that actual performance has outpaced all projections in the history of transportation. We have always seen greater use than was predicted.

Mr. DeFazio.

Mr. DEFAZIO. Thanks.

Thank you, Madam Secretary. First, to correct a problem with your testimony, I am certain your staff would like to correct this, because you presented it both to the Senate and here.

Actually, in Washington State, the history is two years ago, state-wide initiative, they passed a gas tax, state-wide. Recent polling in the metropolitan area, general metropolitan area having to do with a larger, more ambitious program, has about a tie between the gas tax and congestion pricing. That is King County area, the urban center.

The thing that is referred to in your testimony is a bridge. The polling was only on the issue of tolling a bridge. Now, there's very little controversy over tolling bridge projects. That was the issue. So the statement here is totally inaccurate. That is not a general sentiment shared by the people of Washington State, particularly outside the urban area. It is about even in the urban area. But when you look at one specific project, should you apply tolling, yes.

Now, as to the issue of the private investment. We had Macquarie come in, look at a project in Oregon, Newberg-Dundee bypass, it is a big bypass, something that we can't fit in the State plan, very, very expensive. They said, yes, we can build it. But in order for it to pencil out for us, you will have to toll the existing infrastructure in the vicinity to drive people onto our project. And so do you support, taxpayers have paid for existing State or Federal highways, that we would toll those in order to facilitate some private, for-profit investment to deal with another problem?

Secretary PETERS. Mr. Chairman, what I believe we need to do, what our responsibility at the Federal level is, is to protect and ensure that the Federal interests are met in tolling projects. The way we do that is incorporating standards for conducting, operating and maintaining the interstate, connectivity with other parts of the transportation system, the mobility of products, that it is conducive to interstate commerce, that there is transparency in the process, fair and open competition and safety is addressed.

In terms of dealing with tolling existing sections of highway versus only those new, there is much less acceptability to tolling existing sections of highway. I would also say, Mr. Chairman, where there is an opportunity to increase the efficiency of the overall system, I wouldn't rule it out. I think State and local governments have to have the opportunity to look at it.

Mr. DEFAZIO. Thank you, but again, that is a problem here. People want to make a profit if they are going to invest. And to invest they say, well, you have to toll your existing infrastructure. I tell you, that would enjoy 1 percent or 0 percent support in my State. I imagine Arizona wouldn't be too much different if you said, gee, we are going to make you pay to use the highways you have already paid for. I don't think people in Arizona are that different than the people up in the Northwest.

So that presents sort of a conundrum if we are going to depend upon private investment. Then you used the word protect. I guess I am puzzled that the minority report objects to the conditions that are suggested by the Commission on the PPPs. Now, I understand that you can attract a lot more interest from the private sector if you say hey, we are going to give you a license to print money. You are going to have non-compete agreements, we are going to toll the surrounding infrastructure, you can control all the tolling, no limits, or like in Indiana, we will put a floor on your toll increases.

But the Commission said, if you want to protect the public interest, you need to have conditions. Why would the minority report object to modest conditions to protect the public interest? Even Mr. Duvall, when he was here, a year ago or so, admitted that non-compete and other things were problematic, people should be aware of them. In fact, he said that you would post some of those things on a web page next to the paean, your wonderful piece which extols the virtue of PPP on your website. But we have yet to get that, I have asked three times. There are some pitfalls here.

Would you agree that non-competes are a potential pitfall and other things with PPPs?

Mr. OBERSTAR. Excuse me, on conclusion of the Secretary's statement we will recess for the vote. We have 36 seconds. I will leave, because it takes me a little longer to walk over there.

Secretary PETERS. I will try to get this in in the next 36 seconds. In terms of tolling existing interstates, I favor it only if improvements are made that improve the overall system itself. In terms of non-compete clauses, I do think those have to be looked at very, very carefully. We know on State Route 91, one of the earliest projects in the United States, a stringent non-compete clause became a limiting factor that later had to be dealt with. So I would agree that there are problems with non-compete clauses.

My disagreement with the Commission majority on this issue is that the Commission report would place numerous conditions on public-private partnerships, beyond what I think is necessary to protect the Federal interest. And in fact, the Commission purports to substitute its judgment for State and local officials who are entering into these agreements with the private sector. So yes, there do need to be some limitations to protect public interest. But those can be done in a manner that doesn't kill the opportunity to attract private sector investment.

Mr. DEFAZIO. But in giving total latitude to public officials and ignoring some of the concerns raised by the Commission, let's look at Mayor Daley's Skyway project. Money was diverted to the general fund of the city for one year consumption in general fund projects from the payments they received for that project. You don't believe we should have restrictions on these projects, that the money would have to go back into transportation projects, or even more specifically, as the Commission recommends, into the corridor that is relevant to that transportation project, if you are going to assess tolls or congestion prices?

Secretary PETERS. Mr. Chairman, as a transportation professional, I would prefer the investment go back into the system. However, in the case of the Chicago Skyway, that route was actually losing money. It was costing the city of Chicago money, and the mayor took and monetized an asset that was at the end of the day in the public interest of the people in that region.

Mr. DEFAZIO. Right, but he did divert the money and you don't agree with diverting the money to non-transportation as a policy. So I think if we were protecting the Federal interest, the public interest, we would want to say that it is Federal policy, where the Federal Government is a partner or has a significant interest in a PPP or it has a significant effect on the national transportation infrastructure, that we would want to see that money used for widely-recognized infrastructure deficit.

You do agree that there is a current infrastructure deficit and we do need more investment without determining where that money comes from? You would agree with that statement?

Secretary PETERS. I absolutely agree with that statement.

Mr. DEFAZIO. That is good. I am going to keep going, because that will save you time. If I miss the vote to adjourn, it is not going to cost me my Congressional career, I can guarantee that.

[Laughter.]

Mr. DEFAZIO. So you used the word "over-consumption," and talked about the discretionary travel, 50 percent. At the same time, you pointed to the fact that here in D.C., that when people are on vacation, i.e., they don't have to go to work, I don't think they randomly go out and drive around at rush hour, that traffic problems pretty much abate when those people don't have to work. I think there is almost a contradiction here.

I really would like to see, I know there is one consultant out there who is citing some thing to say that 50 percent of the travel at rush hour is discretionary. I would assume what he is talking about is, some people are driving their kids to school before they go to work, and he would say that was discretionary. Some people are picking up their kids after school and moving them around after work.

I don't know where he gets it, but I have to tell you, the seniors aren't rushing, at least in my part of the Country, to get out and drive around in rush hour, they are just not. I really would like to see some real substantiation as opposed to one consultant's opinion based on one relatively small sample. I just really doubt that.

But beyond that, the question becomes, and Mr. Mica referred to this, unfortunately he had to go to more important things, like baseball, but he talked about mass transit, and the fact that you need that option, and it worked, particularly today. But the problem is, if you raise the prices for congestion pricing and you don't dedicate that money into building the mass transit, then the people aren't going to have an option in the future.

In the present tense, many people don't have an option when you impose congestion pricing. You have just sent them a message that is, sell your house, quit your job, get another job, if they don't have a viable, comparable alternative in terms of time and cost by mass transit. And there are a heck of a lot of people who don't have that today, because of our lack of investment.

Do you recommend imposing congestion pricing when people don't have a viable alternative and they are work commuters? Isn't there an incredible equity issue here? The execs won't care. They will get to work faster. And they can pay the 10 bucks. But the factory line worker is going to say, gosh, I can't afford 10 bucks to get to work, I am going to have to leave an extra hour early, because I can't take that road any more.

Secretary PETERS. Mr. Chairman, let me answer that question in a couple of ways. First of all, increasing gas taxes, especially on lower income people in our population, is very much a burden. In fact, it is a bigger burden on those individuals than having the option of paying a congestion fee. Time is as valuable to people in the lower income ranks as it is to everyone else. In fact, in some cases it is more valuable. I have often used the example of a mother or father trying to pick up a child from day care, and if they are late, they pay pretty horrendous late fees for getting their own child back at the end of the day. If they had the option of getting on a HOT lane and paying that fee, then they would be very apt to do that.

But it also frees up revenue. When we use pricing like this, it frees up revenue for other routes. In fact, where those options are available, in San Diego, for example, on the fast track on I-15, 60 percent of the support comes from those with incomes of less than $40,000. In Orange County, State Route 91 express lanes, 51 percent of the support from those with incomes less than $25,000. And Minnesota's I-395 MnPass, 64 percent of the support from low-income individuals there.

Again, the gas tax is more regressive. It puts a greater burden on those with low income. They often have strict work schedules; they often have to live farther away from their jobs. Occasional use of a congestion pricing system like this would be important.

I think what Mayor Bloomberg is proposing to do in New York City is a very good example and speaks to the issue that you are talking about. If he is successful in implementing a plan to have a congestion pricing fee for lower Manhattan, which would put the money that is earned from that into improving transit throughout the region. I think that is a very good idea.

Mr. DEFAZIO. The problem, of course, is the improvements, and people in New York have said, hey, all the people who live over here don't have a transit option right now, they are just going to have to pay, these people here do have it, and I don't know the geography up there. The problem is when you impose, because we are not going to raise taxes in any way or increase other investment, but we are going to sort of work toward the future of the congestion pricing issue, create inequities. In fact, your own staff, and I don't believe this was the Commission, I am told this was, well, Commission staff analysis, sorry, it is the Commission staff, which you would disagree with, I guess, being the minority on the Commission, says that the fuel tax, the congestion pricing is at least twice as inequitable as fuel tax by income group. And I don't think they are talking about rich people.

And let me give another example. I drive a funky old car at home. I can squeeze out 20 miles per gallon when I am really lucky in my 1964 Dart. Now, here we go, we don't have tolls, but if I had to pay a $1 toll, I live out east of Eugene in a smaller town, and the 105 is getting kind of congested. So let's say we go to a $1 congestion toll. That would be basically, if I get 20 miles per gallon and I had to pay a $1 toll, it figures out that I would have to drive 400 miles to break even here.

I have a question, and a lot of lower-income people are driving less fuel-efficient cars. I hang on to mine for sentiment, I also don't like making car payments. There are real questions here, between the gas tax and I believe the congestion pricing, when you apply it in the real world onto what the equivalents would be. I think that is something that really needs to be done.

Let me get to another issue. As I understand the minority position, you are proposing basically to phase out Federal investment in the system. Is that correct?

Secretary PETERS. Mr. Chairman, I would intend to do that over time. But this is an area where I didn't disagree with the other members of the Commission, in terms of over time, we should phase into a vehicle miles traveled system, as opposed to either gas taxes or tolling and pricing in the short term. And really a vehicle miles traveled system is a form of pricing.

Mr. DEFAZIO. Well, what I meant is that you are proposing that there would be no increase in the Federal gas tax not even to compensate safer construction inflation, which is running about 10 percent a year. So that means a year from today, the Commission would say we are grievously under-investing at the Federal level. You would disagree with that.

A year from today, they would suggest we need a dramatic increase. If we freeze it, we actually in real dollars decrease our investment at the Federal level a year from today by about 10 percent. In fact, using the rule of sevens, basically within a very few years, we are going to have cut our investment in half in real dollars. You do acknowledge that there is tremendous construction cost inflation?

Wouldn't you even want to just hold the Federal portion? Wouldn't you even want to just keep it at the current level, say index it to construction cost inflation or something else?

Secretary PETERS. Mr. Chairman, I did suggest and do suggest that we keep it at the current level.

Mr. DEFAZIO. In real dollars, so we would index it?

Secretary PETERS. No, sir, in actual dollars.

Mr. DEFAZIO. So only in nominal dollars.

Secretary PETERS. Here is also what I suggest we do. I talked earlier about the Federal role. I refer also to a very good GAO report on this topic. We don't have a clearly-defined Federal role today. That has manifested itself, as I said earlier, in 108 different programs in highway and transit. We need to narrow the focus of the Federal role, have the Federal Government do and collect money to support only those things that are truly in the national interest. Then we need to give more State and local discretion more prioritization.

I would say hypothetically that of the 18.4 cent Federal gas tax that we collect today, 12 cents supports Federal issues directly. The balance of that should either be returned to or kept by the State. Over time, we need to move to more direct pricing.

Let me give you just an idea of what is out there, the opportunity that we have to bring in new revenues. If congestion pricing were done on all congested roads, and this is based on the C&P report, the cost to maintain that system would be reduced by $21.6 billion a year, to $57.2 billion a year. That is less than we are paying today.

Two economists at Winston and Langer did a study that said if congestion pricing was used in the largest metropolitan areas, the 95 largest metropolitan areas, it would generate $120 billion a year while solving congestion, allowing tax reduction. I am not suggesting that we reduce the taxes at this point in time, but I do think we need to move to a more direct user pay over time.

Mr. DEFAZIO. Again, I find some contradiction there. If the cost to maintain would drop so dramatically, that implies that those are trips that would never be taken as opposed to congestion avoidance, congestion tax avoidance where people would choose alternate routes or different times. So we are now at the point of it, we are not just saying that 50 percent of the travel at rush hour is discretionary, we are saying that 50 percent of all travel is discretionary, which I find really hard to believe, particularly with current gas prices, that people are out there just kind of cruising around at the worst times of day, for fun. I just don't find those numbers credible.

I would like to relate to home things. So Phoenix has some traffic problems now. Would you recommend that Phoenix impose tolls and congestion pricing in the Phoenix area to deal with those problems, or would you suggest additional investment and construction, some transit and other things are necessary? That just seems to me a real critical point here. For your home State, do you think where you have no tolls, that they should start to impose tolls and congestion pricing to deal with their problems, rather than increasing investment, whether it comes at the Federal level or the State level?

Secretary PETERS. Mr. Chairman, I actually did try to implement some of those projects when I was the director of the Arizona Department of Transportation.

Mr. DEFAZIO. You tried to implement congestion pricing or tolling?

Secretary PETERS. I actually tried to implement pricing of the HOV lanes to convert them into HOT lanes and allow single occupant drivers to purchase rights to use those lanes. We also looked at tolling the new crossing at Hoover Dam.

Mr. DEFAZIO. But someone didn't go along with that, like the legislature or someone?

Secretary PETERS. There were numerous people who didn't go along with that. And the idea may have been a little early. Today, in the Phoenix area, I think converting the HOV lane system, which is a pretty mature system, to a HOT lane system, would help tremendously. There is unused capacity in the HOV lane system today. And I do think that Arizona, and other States, should look at pricing as one of the options for raising revenue to do projects. Certainly there is public opposition to these things. But you have indicated that you don't necessary concur with the statistic I gave earlier, and we will give you others. By the way, also, we will give you the background documentation for that.

Mr. DEFAZIO. Yes, I just, again, if the avoidance is $23 billion, then I mean, since the maintenance has to be done, and it relates to, you weren't talking about dealing with congestion and enhancing the system, you were talking about maintenance. Maintenance, you can have the car bumper to bumper on the road, or you can have one car driving down the road. If you have the same number of cars, but, I suppose the speed does make some, well, actually it probably costs more to maintain the road for the higher speed if it is less congestion. That statistic just didn't make sense.

Secretary PETERS. Mr. Chairman, what I was referring to is in the conditions and performance report, there are two levels of funding that are suggested. One is cost to maintain, the other is cost to improve. Cost to maintain doesn't necessarily discount any additions or improvements to the system.

Mr. DEFAZIO. Okay. Mr. Mica? Is the vote over?

Mr. MICA. They are in fact nowhere near. I have been around here 20 some years and I have never seen that kind of media show.

Mr. DEFAZIO. I did not know you would come back, I was waiting for the Chairman.

Mr. MICA. You go out and say, "Mica is attacking the Secretary," and we will get them in here.

[Laughter.]

Secretary PETERS. Mr. DeFazio, for the record, my very first car that I bought by myself was a 1964 Dodge Dart. It is a great car.

[Laughter.]

Mr. MICA. Thank you, Madam Secretary, and thank you, Mr. DeFazio, for yielding.

Just a couple of quick questions. One of the things—I heard they are going to do this every 20 minutes. They are throwing their toys out of the playpen on our side.

[Laughter.]

Mr. MICA. I think all of us agree that we need more net money into the Nation's infrastructure. That is pretty much agreed upon, right, Secretary?

Secretary PETERS. Yes, it is.

Mr. MICA. There are some figures that are thrown around. We did the $284 billion bill. The American Society of Civil Engineers says that we need about $1.6 billion for five years investment.

The question is how we get there, and the Commission did bring forth the 40 cent gas tax. I think that it would be interesting for you, and I don't know if you have done the calculations, to come back and see what can be saved by revamping the process, revamping some of the Federal guidelines. I have been through a couple of projects. One was an interchange I started in central Florida. I had dinner the other night at a restaurant just off of it. I showed someone, I said, we broke ground there, but it took 15 or 16 years to get the approvals. By that time, the funding had doubled or tripled, just like your fellow commissioner had cited.

So calculate what we could say in revamping the process, and then we lack a Federal policy of public-private partnership. Some people are slamming them, and maybe some of them aren't appropriate. The Chairman and the Subcommittee Chairman sent out a letter to secretaries of States saying there has to be this, and it sent chills through the Country. What is his name, Mitch Daniels, got into a deal where there was foreign investment money.

And there is lots of foreign investment money that could buy up our infrastructure. But there are policy questions that remain unanswered. Rendell came before us and at first was going to put I-80 on the open block, and then he got burned, and now they are selling it to the Pennsylvania Turnpike Authority, raising the revenue. Now they have English and all the guys in upstate Pennsylvania yelling about, they are tolling us to put transit money in Philadelphia. Again, I am just telling you what I hear.

You took, Administration people and our own candidates slam earmarks, but you took $853 million when we failed to earmark, well, we did earmark 1,155 projects. You turned it into five. I don't remember having a public hearing on those five. I don't remember—I never met with the bureaucrats who made the decision. I don't count you as a bureaucrat, I have met with you. But those who made that intimate decision on how to dispose of the $853 million. You chose five projects to put it on. And that is earmarking by bureaucrats.

What I am saying is, we need to sit down, and Mr. DeFazio, this goes to you, Mr. Oberstar, the leadership of the Committee here, to sit down and decide what public policy is in these public-private partnerships, and how we do leverage that money. What are the rules of the game? I don't know. I am the Ranking Member. I don't have a clue. I don't think anybody can come before us right now and tell us exactly what the rules of the game are.

And when you are selling something, like they are going to sell 300 miles of I-80, I guess it is, to an entity, there is Federal money in that. Certainly it is an interstate. Another thing, let me ask you, I did not see any recommendation on expansion of the interstate specifically. Was there in the Commission report?

Secretary PETERS. Yes, sir, there was.

Mr. MICA. I am sorry, I did not see it. Could you tell me what the vision for the interstate is, which is our major Federal surface transportation project we started some 50 years ago?

Secretary PETERS. Sir, the report did include improving the interstate as well as maintaining and operating it. I don't have the specific numbers, but I will get those and get back to you. I believe they were broken out in the report, but I will check that and get back to you.

Mr. MICA. Again, that is our major surface. And mass transit, of course, I think you emphasized the need for mass transit, rail alternatives, things of that sort. So again, I think, Mr. Chairman, I was just saying, we really need to sit down and decide what Federal policy is for these Federal public-private partnership sand define what can be done, who can invest, who can sell off the interest, how the money can be used, if it is raised. I would hope that we could work together.

Actually, this is a great building time because it is before the next major transportation bill, and then have that definition so everybody knows the rules of the game. And we can meet the objections, if folks have objections, if people don't want foreign investment and buying up our interstate, if they don't want sale of interstate to some entity, and where the money is allowed to go.

So I think those are important questions. I would love your recommendations, and then I would also like to see how you could calculate where we could get toward the $1.5 billion in bonding, in speeding up the process, in public-private partnerships, your recommendations of how we achieve that. Can we get that?

Secretary PETERS. Absolutely, sir, and I will answer that briefly now. Probably about tomorrow afternoon, we will get that. Most of it we have. Recently, I read a GAO report that talked about the role that public-private partnerships are playing in transportation and infrastructure in the U.S. They have identified a wide variety of the benefits, but also talked about some of the parameters that have to be placed on those. I have listed a little earlier in my testimony or my responses some parameters that I think are important. I do think that we need to take this on very quickly and get together and decide, perhaps even through a rulemaking process in the near term, in advance of the next bill, what are the important parameters.

My concern with the majority Commission report is that they placed numerous restrictions on public-private partnerships, beyond which I felt was prudent to do, in my opinion, and substituted their judgment for that of State and local officials. I do think whether or not there is Federal money, and certainly when there is Federal money involved, there is a Federal interest, but whether or not there is Federal money involved, we do need to make sure that these roads are constructed to the operating and maintenance standards of the interstate, if indeed they are on the interstate, that they connect with other portions of the transportation system, if they do provide mobility for people and products, they are conducive to interstate commerce. I have listed out about a half a dozen or so requirements that I think would be prudent, and have that discussion.

Let me go to your discussion about how we can save money. You talked about what can be saved by revamping the process. When I was highway administrator, we estimated at that point in time that federalizing a project added somewhere between 12 and 24 percent to the cost. That would be if the project could be constructed in the same virtual time frame that it otherwise could. As Commissioner Skancke pointed out, that is not the case today. And as Mr. Chairman mentioned, when we have significant inflation and construction costs and materials, well in excess of the rate of inflation, then the sooner we can build these projects, the better off we are, because we are saving money. There are Federal processes that draw this out.

That is one of the reasons that I think it is so important to narrow the Federal focus to what is truly in the national interest, and then let the States do the rest of the projects, with the balance of the money, using other sources, diversifying, of course, we need to do that as well.

In fact, when I was director of Arizona DOT, we had a program that we called the HURF swap. HURF in that language is Highway User Revenue Fund. It was the State equivalent of the Highway Trust Fund. We would basically take the Federal money that might have otherwise gone to a local government, because it was so much hassle for them to use Federal money, and substitute State money for that. But we would only give them 90 cents on the dollar, because we were taking on the process burden requirements.

So that is an idea of what Mr. Skancke I think was trying to get to in terms of how we could save money: narrow the Federal focus, collect at the Federal level only that which is attributable to the Federal role, and diversify or deploy the balance to the State. One of the things that Fred Salvucci used when he was selling the central artery project, and I think this is important to remember, he said to people, this is 10 cents on the dollar, we can get this project for 10 cents on the dollar, we put up 10 cents, Federal Government will put up the rest of it. So they didn't take the political heat for raising fees, and that project, particularly because of the federal requirements to complete interstate system, as we all know too well ballooned all out of proportion. There wasn't respect for the money because they weren't collecting it, they weren't answering to citizens for collecting it.

Mr. MICA. You may have heard of my 437-day plan. That is the plan that I propose for any replacement infrastructure projects. That is how long it will take to replace the Minneapolis bridge, 437 days. The staff told me through the normal process it can take anywhere from four to seven years.

Secretary PETERS. Easily.

Mr. MICA. I am going to go vote, Mr. Chairman.

Mr. OBERSTAR. We will recess for this vote. I got about 90 percent back here, then I realized there was another vote.

I just want to observe, Madam Secretary, about project acceleration. We provided new authority in SAFETEA-LU for permit approval process acceleration. I am disappointed that the Federal Highway Administration has not called the States together to convene the State departments of transportation and move them in the direction of implementing vigorously this permit acceleration, permit streamlining procedure that we included in the bill.

In Seattle, when they were in the process of doing the monorail, they used exactly this process that I crafted for SAFETEA-LU. They completed permitting in 44 weeks instead of 44 months. If there is a need to improve this process, we can do that. But I don't accept an Administration that says, oh, we have to speed up the process but then doesn't use the tool available in existing law to encourage States to move ahead and to be vigorous and creative in speeding up permit approval, while not in any way denigrating the environmental process, the historic preservation reviews, and the other permitting that is needed in our highway construction program.

Secretary PETERS. Mr. Chairman, if we are not aggressively implementing that, I assure you we will. Because having worked as highway administrator during the time that that bill was passed, I very much appreciate the work that you and others did to streamline the processes.

Mr. OBERSTAR. We will stand in recess pending this vote.

[Recess.]

Mr. OBERSTAR. With apologies for these interruptions, my votes on the House Floor are procedural motions.

The Committee will resume its sitting. Mr. DeFazio will assume the Chair, and pending that, Mr. Baird is recognized.

Mr. BAIRD. I thank the Chairman and I thank Madam Secretary for being here.

I would like to get your thoughts a little bit on the issue of transit. I happen to have a great concern about congestion on our highways and also about global warming and our carbon footprint. I am particularly interested in several question: how you think transit should be funded, where should the resources come from; what do you think the Federal share should be and how that should be calculated; and your thoughts about how the cost benefit index is calculated for the merits of transit vis-a-vis the cost.

Secretary PETERS. Congressman, thank you for the opportunity. First of all, transit is important, it is a very important part of our transportation network and one that is enjoying increasing ridership, as I think you will hear, from the next panel of witnesses. Today that is funded approximately half by the general fund, and 20 percent of the Highway Trust Fund goes to support transit today.

I think that is a fairly good mix. But as we look to the future, I don't think we are going to be able to depend on the gas tax, and therefore, the Highway Trust Fund, as much to do that. That may push more of the expenses into the general fund, but I think there are other ways to attract investment to transit also.

In terms of benefit cost, having served now a little over a year as Secretary, and looking at the New Starts process, I am not sure we are looking for the right things. The transit administrator and

I have talked about that as well. When you look at cost-effectiveness and how we—by statute—calculate it today, I am not sure it gives us the best read on which projects are most important to fund.

At the end of the day, I think it is important for local officials, metropolitan planning organizations, Governors, local elected people like county supervisors or mayors, to make a decision about where transit makes the best sense for them, and then to have more latitude to spend dollars that they get, where they think it is most important to do it, as opposed to going through this very difficult, and I confess it is a difficult process to get a full funding grant agreement from the Federal Government.

Mr. BAIRD. Do you have some thoughts about the changes you would like to see in terms of how cost benefits are calculated? It sounds like you have some variation, or some ideas that would be different from statute.

Secretary PETERS. I would. I think today we don't consider potential economic benefit of the project. I think that is one shortcoming that we don't necessarily do today that we should. I will talk about transit-oriented development, for example. Sometimes it is a chicken and egg thing, if the transit is there first, does the development occur, or vice versa. But the two can complement each other substantially. I think to be able to take into consideration that type of investment, especially when local officials have done the prerequisite zoning and are looking at what might build in that corridor, a multi-use housing, high-density housing, things like that, I think those are factors that I personally would like to see us give more credence to than we are able to today.

Mr. BAIRD. You mentioned that you would possibly see the general fund as absorbing a greater percentage of the cost of transit projects. Given that the recent budget projects a minimum $400 billion surplus, not counting borrowing from Social Security and not counting realistic costs for the war, it is hard for me to understand where we would get that money for transit from the general fund, given that transit takes pressure off our highways, thus making road-based freight traffic more expeditious.

It seems to me that shifting the burden to a fund that doesn't have resources from a source of revenue that actually benefits from getting vehicles off the road, I am not sure I understand that rationale. Maybe you can elaborate on that.

Secretary PETERS. Congressman, you make such a valid point. I think we have to, when we consider investments in surface transportation infrastructure across the broad range, we can't do that in a vacuum. We can't assume that there aren't other demands on the funds. There are many demands, and as you talked about the entitlement programs that are taking an increasing share of our nondefense discretionary revenues in the future, so we have to look at other sources of funding. We also have to look at the opportunity cost of this money.

When I say the general fund, I don't mean move total dependence into the general fund by any means, because it certainly will not sustain that. But I think for example, using tax increment financing, for example, when we know that economic development is going to occur in a corridor, to be able to devote some or part of the revenues toward building a transit system. I think certainly fares are an appropriate user contribution. But we all know that they are not going to eventually pay for the project in itself.

I would be more a fan of diversifying funds. My home town, Phoenix, Arizona, has a half cent sales tax, half of which goes to transit and half goes to road-building. I think those are ideas that have certainly enjoyed favor in other communities around the United States.

Mr. BAIRD. One last pitch for a proposal which I raised before and probably won't go anywhere. But we have by estimates, a $1.6 trillion infrastructure deficit. Many of us are concerned that when we put the Social Security funds in a so-called trust fund, which we are going to immediately borrow back, there is really no tangible mechanism for paying back.

I have actually floated the idea of investing our Social Security trust funds in the transportation infrastructure fund, so that our people could use that money to build lasting infrastructure. What is happening now is Macquarie Bank and others, retirement funds from other countries, are investing in our infrastructure, while we are just borrowing with no plan to pay back our retirement funds.

With that, I yield back and thank the Chair.

Mr. DEFAZIO. [Presiding] I thank the gentleman.

Mr. Coble?

Mr. COBLE. Thank you, Mr. Chairman.

Madam Secretary, it is good to have you with us.

Mr. Chairman, I want to associate myself with statements made by the distinguished gentleman from Washington regarding vehicular congestion, congestion, Madam Secretary, involving hundreds of thousands of passengers in our various airports. These are problems that are crying out for solutions, and they are problems that are not going to vanish. Vehicular and airport congestion obviously negatively impacts productivity.

On another point, Mr. Chairman, I believe the distinguished gentleman from Oregon touched on this earlier, involving bridges. Madam Secretary, I don't want to be portrayed as a prophet of gloom and doom, but I suspect most everybody in this hearing room, prior to week's end, will probably cross an unsafe bridge. These are problems crying out for solutions. And I am not blaming you for this, it is not your fault. But it is the nature of the beast, I guess.

Let me put a two-part question to you, Madam Secretary, given this disjointed day, you may have already touched on it, I think you touched on the second on in response to Mr. Baird's question. But my questions are, to share with us, in your opinion, what is the appropriate role for private sector companies in building and operating highways and transit facilities and systems, A, and B, and this may be some overlapping, what are your most significant points of disagreement with the majority position in the Commission report?

Secretary PETERS. Congressman Coble, I would be pleased to answer those questions. First of all, in terms of an appropriate role for the private sector, I think there is a role. And as Congressman Baird pointed out, pension funds from other countries, other areas, are being invested in U.S. transportation infrastructure today. So we have a lot of opportunity, I think, to attract private sector investments.

Where it is an appropriate role for the private sector to invest is where we are protecting the public interest. I talked about some of those requirements earlier. Building to standards, operating to standards that we have on the balance of the interstate, not limiting interstate commerce, transparency, those are things I think are appropriate.

Where the private sector will invest, though, is frankly going to be where there is a level of congestion and a level of traffic that make it cost-effective for them to do so. That is where I think this whole concept of pricing is so important. Where there is demand for projects based on congestion that is building or is there already today, the private sector will look favorably upon those projects. All of them are not going to pencil out, if you will, in terms of private sector investment. But many of them will. And those are the opportunities, I think, to attract private sector investment, to add to what we are collecting from the public basis here today.

The areas where I most disagreed with the rest of the commissioners, I will answer that. First of all in quantifying the overall problem, they largely used the "cost to improve," with some additions for passenger rail and other things. I think "cost to maintain" is more appropriate funding level, supplemented by private sector investment.

I think that increasing the gas tax by 40 cents is not the right way to go, either in the near term or in the long term. I think we need to move away from dependence on the gas tax, not increase our dependence on it. This has to do with energy policy, the lack of efficiency, issues like that that I think are important.

I think the Federal role needs to be very clearly, and I would argue, narrowly defined, so that the Federal Government is only taking responsibility for and funding those things which are truly in the national interest. I would observe that 108 programs are not all truly in the national interest, that we need to narrow that role.

Mr. COBLE. Thank you, Madam Secretary. Now, if not the increase in gas tax, and I don't disagree with you about that, where do we go for the solution?

Secretary PETERS. Congressman, that is an excellent question. I said earlier, I am not advocating that we stop collecting the 18.4 cents that we are collecting today. We should continue to do that. But we need to prioritize where we are spending that money. Just like you and I have to do in our homes, just like businesses have to do, when we are dealing with tough times and not a lot of money, we have to decide which is the most important to fund. So I think we need to narrow the scope of what those funds are being used for today. I suspect that we probably could do that by some 20 percent. I won't offer up any specific programs, but I think there is an opportunity to probably recapture approximately 20 percent of what we are spending in a variety of other ways today.

I think as has been pointed out earlier, streamlining the process by which we do Federal project approvals, and making that happen quicker and easier, can save us money. Because time is money when we drive these programs out. And again, I think there is incredible potential in the private sector, and their willingness to invest in transportation infrastructure, if we create the right environment.

Mr. COBLE. That is a fair response. My time is expired, but I would like for you, Madam Secretary, Mr. Chairman, if I may, perhaps submit to the Committee your detailed suggestions and recommendations regarding the prioritization, if you would do that.

Secretary PETERS. I would be happy to, sir.

Mr. COBLE. Thank you, ma'am. Thank you, Mr. Chairman.

Mr. OBERSTAR. Mr. Capuano.

Mr. CAPUANO. Thank you, Mr. Chairman.

Madam Secretary, I actually like some of the things you are saying. I like the concept of flexibility, I have no problems with public-private partnerships, according to the States, let them decide. Fine by me. If it needs to be loosened up to let people do it, fine by me. I actually don't think they will work, but I wouldn't mind being proven wrong. That is fine.

I like the idea of flexibility. I would like to see some flexibility in the split between the highway and the transit funds. Why not give it to the States, let them decide if they want transit or highways? What is the difference? Some States want highways, some States want transit. Either way, people are going to work, and transportation is improved.

It is interesting to me, though, I do have a couple of questions. You say the tolls are so popular. The Massachusetts Turnpike Authority just raised their tolls, and it now costs $3.50 for me to get to the airport and home. I am just curious, how much do you think it should cost me to get through that tunnel?

Secretary PETERS. Congressman, I don't want to hazard a guess on that, because I don't know what the costs are.

Let me put it this way. I don't think people wake up in the morning and say, gee, I would like to pay a toll today. But I think when faced with either increasing taxes or paying a toll, and a toll where they might see immediate improvement in their commute, they are more willing to do that. One of the issues that we have with public transit authorities today is there isn't necessarily that nexus between additional tolls and infrastructure improvement.

Mr. CAPUANO. On the tolls, for instance, in Boston, there are two ways in that you pay tolls, through the Mass Turnpike or through the Tobin Bridge, but there are a dozen ways in that you don't pay tolls. Are you suggesting we put tolls on every single road that goes into Boston?

Secretary PETERS. Congressman, I am certainly not. And I am very much with you in that I think those decisions ought to be made by State and local governments, people who are answerable to those who have elected them directly.

Mr. CAPUANO. Fair enough. And last I knew, I was, and your boss is, I am answerable to people. I guess as far as the politicization of the whole system, again, I don't disagree with you, but I want to parse it a little bit. When you say politicization to me, that means, for instance, we just tried to do something in this Committee a little while ago to prioritize structurally deficient bridges. I personally think it is a good policy, if we are going to spend any Federal dollars, to tie some strings to it, such as, you have to use this money to do structurally deficient bridges. It doesn't matter which one you do. Every State that I am aware of has more bridges that are structurally deficient that need to be done than they have money or anybody has money to fix. I think that is perfectly good.

Is that okay with you, or would you consider that a political interference?

Secretary PETERS. Congressman, I think it is okay, but I think before we tax the public further to improve these bridges——

Mr. CAPUANO. Even with existing money.

Secretary PETERS. No, I don't have a problem with that, identifying money like that. And Congressman, let me again state, I don't have a problem with Congress letting their preferences be known. But when we have 108 different highway and transit programs, we have a very confused Federal purpose. There is a very good GAO report that deals with this issue, and we need to narrow our Federal focus.

Mr. CAPUANO. I agree with that entirely. But in the final analysis, though, there is still going to be X number of dollars in the Federal program, it may be one program instead of 108 or whatever the number is going to be. But there are still going to be Federal dollars and State dollars and private dollars all in that pot.

Secretary PETERS. I very much support what you said, give the money to the States, if they want to build all transit, fine. If they want to build all highways, fine.

Mr. CAPUANO. What I would like to see at some point, though, I would like to see some numbers from your office or from those who would disagree with this, that substantiates the fact that the needs of this Nation can be met without gas tax revenues or a change in that. I am not a gas tax advocate, I am just, I am a highway, actually transit advocate, and it costs money to build things. I don't know any other way to do it.

Secretary PETERS. You are right. Roads are not freeways. That is our problem, they called them freeways. They are not.

Mr. CAPUANO. Everybody knows they are not free.

My last point, too, it is interesting to me that we are talking about highways and transit and ground transportation today. And the answer to that is to basically limit access with congestion pricing, which I don't think is necessarily a bad concept, or to increase toll access, to do something about the revenue side of it.

When I talk to my FAA friends, their way to fix their congestion problem is just to build more runways. No discussion whatsoever about access limitation or different fee structures. I would love it, I mean, transportation is transportation. I don't understand these silos that were built, but they need to be torn down. I would strongly encourage you to talk to your friends at the FAA to enlighten them that, yes, on occasion a runway is necessary, not a problem. But there might be other ways as well to address that congestion issue that maybe you seem to be advocating a little bit more than they are.

Secretary PETERS. Yes, sir, I certainly will, and last time I checked, they worked for me.

Mr. CAPUANO. Then would you please remind them of that?

Secretary PETERS. Yes, sir, I will.

Mr. CAPUANO. Thank you.

Mr. DEFAZIO. Congresswoman Drake.

Mrs. DRAKE. Thank you, Mr. Chairman. Madam Secretary, it is nice to see you today.

We know that you do support strong accountability and reliance on cost benefit analysis. What I am curious about is, are we certain that both U.S. DOT, State and local governments have the tools they need to really analyze these road projects, know that they will accomplish the goals in the end? Are we using some of the new technologies in modeling and simulation to really look at what this road will do or what this transit will do in order to make sure that we are making good decisions? That would be number one.

I also think we all agree with flexibility, and giving more flexibility to the States and local governments. One question I have always asked in my local government is why don't we allow businesses to contribute to a transit fund instead of requiring them to meet certain zoning requirements on parking? Nobody is going to ride the transit if you can go park your car. So I think we hurt ourselves as well as give people some of those choices.

I also think that there are other revenue sources out there, that we are so hung up on gas tax and tolls, and all of us are aware of John Peterson and the work that he has done in deep sea drilling of natural gas, which would give us revenue sources back to the State and Federal Government as well.

I am also curious, just to ask the last question, how you would look at other measures that give more flexibility to the States, such as a bill that I have in, that would allow Virginia to decide how to use their HOV lanes without being penalized. We all know HOV works in Northern Virginia, and they have been very, very successful. But in the Hampton Roads area, we can't get people on them. So the lane miles we could open up I think would be incredible.

So my question is about, are we using new technologies, are we really looking at whether our investments are working, more flexibility to have other revenue sources and other measures that would let States decided, how do we want to deal with our transportation issues.

Secretary PETERS. Congresswoman Drake, thank you for the opportunity. One of my concerns with the Federal program today is it is too focused on process and not focused on performance. We need to change that. We need to do these benefit analyses, and as you said, use technology that is available. Some States actually are doing that. Washington State does that, and Director Pete Rahn from the Missouri Department of Transportation—who will testify on the next panel—also has done some very good work in that area, particularly with prioritizing in a very innovative program to improve bridges throughout the State of Missouri. So I would recommend your talking to him about that particular issue.

I do believe we need to have more flexibility. I think carving dollars up into silos the way we do today does not promote the highest and best use of those dollars, and certainly doesn't let local communities make decisions about what might be best for them, where and how to spend that money. All of these programs have strings attached to them that we are dealing with today, that we monitor today. I think there are much better ways to simplify that.

In terms of how to pay for it, I truly think that direct user fees are the best way, because then we make choices. Just like if I decide to go to an early bird dinner or the late dinner or a matinee instead of an evening show, I make value choices. I make value choices in the way I pay for my electricity by the time of day that I use it. So I think pricing on our system would give us that flexibility. It could be adjusted for low-income people who could be subsidized, it could displace revenues that would otherwise not be available for public projects. There are a variety of reasons that I think it is the best method.

To go back to what Mr. Capuano talked about, I said earlier today, and I don't think you were here, what we have I think in infrastructure funding across the broad range, that I have responsibility for today, is the Tragedy of the Commons. It encourages overuse, at peak periods of time in the air, at the airports and on our roadways. If we can price just a small portion of the population out of those peak periods, we can get, in some cases, 40 percent greater throughput by not letting it break down.

I think your idea of converting the HOV lanes to what works best from the Hampton Roads area is a good idea. I dislike the fact that we have so much to say about how and where you use your roads in the State. I don't like that, and I am a former State official, so I have been on both sides of this.

Mrs. DRAKE. Thank you, Mr. Chairman.

Mr. DEFAZIO. Mrs. Napolitano.

Mrs. NAPOLITANO. Thank you, Mr. Chairman. I am glad that we are having this interesting dialogue on transportation, simply because as I have spoken from here before, it is extremely critical in my area. We have had great conversations with Secretary Peters, thank you very much. She has seen the areas in the greater Los Angeles and surrounding communities of how important transportation is and the gridlock we currently have.

So to me this is a conversation that bears more input and more questioning. And I have shared that utilization of highways for pay will not work necessarily in our area, because it is something that has been inherently a failure in the past, with the State back in the 1990s.

However, it is important for us to continue, and if you have the flexibility you are talking about, to have the State focus on where the greatest need it, and be able to continue to fund them. Part of it, and we have discussed this with the State transportation as well as Federal transportation committees, about being able to double-deck, to be able to utilize a second level to, whether it is mass transportation or truck traffic, then we could begin to talk about the possibility of charging for the use of a faster area to travel on.

While we sometimes, those of us that are lucky to have good-paying jobs, that we can afford to pay for the passes, many of the working class cannot. So that is another, one of the main reasons it may not work in some of the major areas. Are you supportive of in putting elevated highways to be able to accomplish this, especially in the greater areas of concern?

Secretary PETERS. Congresswoman Napolitano, I think it is a good idea. The caution that I would say is, let's go on talking with the public about this, because it would have more of an intrusive effect on communities, especially if it is a residential area. If it goes through an industrial area, I certainly wouldn't have a problem with that. In fact, I considered double-decking Interstate 17 in Arizona when I was there.

Mrs. NAPOLITANO. And I talk about 5, because 5 runs through a little bit of my district. I know before the Joint Power Authority was established there, they were totally against building a second level. Now they are asking for it simply because they see the impact when one vehicle causes a backup and people just stream off the freeway into their areas, and their concern is for the safety of their communities.

And it is something that is going to have to happen if we are going to expand that freeway by two lanes. It is a Band-Aid. By the time it is done, it will be outdated. So if you are going to be able to work with the State and be able to promote utilization of the infrastructure that is already there, to be able to add that second level, or at least be able to work with the State and those of us who are very much interested in making that happen.

The container fees from the port is another issue. They are reticent to increase paying for per container increase. Yet we have congestion and the environmental quality for the trucks that back up. I know that EPA is already working with the ports to ameliorate part of the congestion. What suggestions do you have for the freight industry to be able to address that?

Secretary PETERS. Congresswoman, I think one of the things that is working very well in the L.A.-Long Beach area—and certainly could be expanded—is pricing the use of the port. By this I mean higher prices during peak periods of the day, lower prices off peak. In fact, we have already seen some pretty impressive results from doing that in terms of spreading the demand out over a longer period of time. Again, we are getting better throughput from the infrastructure without adding infrastructure, which as you said is very difficult to do in those areas.

I know that there are some environmental concerns that you and I have talked about, and we certainly need to continue to deal with these. I think your suggestion of perhaps an overhead structure that is a high speed lane, that also could help a bit within a port area, because you can get traffic out of the city more quickly, rather than the stop and go. So pay your money, get on the express lane and get out a little bit more quickly. I think that would make a lot of sense as well.

Mrs. NAPOLITANO. Right, and just to wrap up, just a comment that people may complain, they complain about the high cost of gasoline. But they are willing to pay for more gas tax, if it is going to improve the infrastructure that they travel on. Californians have a love affair with their cars, and unfortunately, that is not good for the environment, but it is something we can certainly work on.

Secretary PETERS. Congresswoman, if I might go back to the low-income folks who you said who maybe wouldn't be able to afford these transponders or these passes, the beauty of the technology that is available to us today on what we call open road tolling is, you could credit some money on those transponders on for some segment of low-income population and say, okay, we are going to give you $50 or something like that and already credit that on their transponder. The point is, there are ways to subsidize low-income folks for things like this.

But also the fact that other people are paying for a part of the infrastructure frees up money to improve their part of the infrastructure along the lines of what Mayor Bloomberg has proposed.

Mrs. NAPOLITANO. And not only that, but if you would come up with some kind of a media blitz to be able to notify those that don't need to use the freeways during peak hours, retirees, people going somewhere, that that might help.

Mr. DEFAZIO. Representative Brown.

Mr. BROWN. Thank you, Mr. Chairman, and thank you, Madam Secretary, for coming today and being part of this debate.

I know we are looking at, I guess, the next reauthorization bill to TEA-LU, and I know it is probably already underway. Some suggestions I would make as we look at how transportation is going to be addressed in the next five to six years, I know back in 1954, I guess, somewhere thereabouts, when the original interstate system was actually presented and improvements started, it seems like that we haven't done much to address transportation needs on a big scale since then, recognizing every 10 years we do a redistricting based on the current population. There has always been a continuous population shift from the Northeast and Midwest down to the South. I don't know that the interstate system addresses the current needs that were presented back in 1954.

And also to even expand more on that, the need for movement of goods has been also shifted. I know it is being shifted even as we speak, we talked about Los Angeles and how that corridor was adopted. But given the Panama Canal is going to be enlarged, and with that, we will be able to shift larger containers from the West through the Canal over to the East, which means there is going to be more of an impact on the eastern ports, including the one at Charleston.

I would hope that we could develop some kind of a new strategy to address, I know we are looking at I-73, and I am grateful that we were able last Friday to sign a decision so we can move forward to buying right-of-way, which will help us a little. But you are right, we recognize the tremendous cost of some $2 billion to complete that 35-mile stretch, just to connect us with our Interstate 95.

Back in 1954, when they developed the formula where 90 percent was Federal, 10 percent was State, it seems like to me the Federal Government is actually imposing more and more responsibility of building highways, even Federal highways, back to the State level. We've done some creative things, even in South Carolina, when we introduced the infrastructure bank and we allocate special funding in order to fund it, even like a penny sales tax in some of the counties in my district who fund highways.

Could you share with me your vision of what the next generation might look like? I was just proposing, like in I-73, which is a critical issue for our part of the Country, and I know there are other corridors around the United States that need to be addressed. And I would hope that somehow incorporated into the next reauthorization bill there would be some plan to build those highways, with some kind of Federal initiative, with some kind of Federal earmark funding to make it happen. Congestion is certainly heavy on the roads we have now. I think instead of expanding some of those routes, we ought to look at the new patterns of traffic needs and create new routes.

Secretary PETERS. Congressman Brown, I think you make such a good point. Back in 1956 and the subsequent years, when the interstate system was laid out, it was laid out to connect America's major cities together. But it also was reflective of what the economy was and what freight patterns were at that point in time.

What we are seeing today is changes in those patterns. Freight is moving in different routes, you mentioned the Port of Charleston, Panama Canal expansion, things like that. In the Southeast, for example, where textiles and tobacco used to be the major portions of the economy, today that is not the case, it is high tech, it is other things. So the interstate system as laid out originally served a very good purpose for its time, but it isn't necessarily where nor operating the way we need it to do today.

I think an important part of the Federal responsibility is looking at freight and goods movement in the United States today, not just where it is today but where we contemplate it will be in the future and looking perhaps at projects of national and regional significance that would help us move that commerce in the future, and perhaps adding to, or certainly adding connectors to our interstate highway system. This is something that I think my fellow commissioners and I did a very good job of talking about, and suggested that we do this freight analysis and we do something significant about freight movement.

Mr. BROWN. I know that this highway 73, and I keep mentioning it, it's a connect from Canada down through to the Midwest, I guess, to Myrtle Beach. Canada is our number one trading partner. And so this would give us a direct connect route with Canada. I know there are a lot of other needs out there that could be addressed, with similar importance. But I just feel like we could look at a new image of where the interstate system has come and where it might go to reach the further needs.

Secretary PETERS. Congressman, I think the thing we have to do, though, is stop doing some of the things we are doing today. Our money isn't always correctly prioritized in the best way it could be today. So in looking at issues like this, and contemplating what we need to do for the future, we need to also say what are we going to stop doing, because Government doesn't ever do a good job of stopping doing things.

Mr. BROWN. That is true, a lot of programs never end. I agree with that. I look forward to working with you on the new reauthorization.

Secretary PETERS. Thank you.

Mr. BROWN. Thank you, Mr. Chairman.

Mr. DEFAZIO. Mr. Hall.

Mr. HALL. Thank you, Mr. Chairman, and Madam Secretary, thank you so much for being here today.

As a representative of a district with 13 deficient bridges, and with a lot of rail and passenger vehicle commuting going on, we are very interested in how we can improve our surface transportation system. I am pleased to see that the Commission included emissions reductions and environmental responsibility among the guidelines for our new era of transportation policy.

I wanted to ask you, given that Westchester County, which is part of the 19th District, now has biodiesel hybrid buses doing their bus loops around the country and have found it to be actually a savings, a net savings and to improve their air quality and so on and also there is a lot of public support and enthusiasm about this.

Would it be consistent with this approach to use transportation funds to support the purchase and development of hybrid buses, engine locomotives, transit fleets, that are either hybrids or run on biofuels or both, associated infrastructure and other new transportation technologies?

Secretary PETERS. Congressman, I do think it is appropriate. In fact, some laws today allow the purchase of those vehicles. It was part of what the Commission recommended in the go-forward position as well. Where I would focus more on the issue of emissions is back to talking about congestion. Cars sitting, stuck in traffic, trucks, motorists who are not moving, such as what Congresswoman Napolitano deals with in her district, and you do as well in yours, is where we have a tremendous, tremendous opportunity to relieve congestion and to improve the air quality.

In fact some studies have indicated that if we are able to implement the program that Mayor Bloomberg has advocated in New York City, it would have the same effect as the entire light duty truck rule in terms of fuel economy standards and removing emissions from the air. I think it is a very important part of what we have responsibility for doing, and another reason that I am less inclined to support the gas tax for the long haul.

Mr. HALL. Yes. Just an aside about the gas tax, the price of, or the profit, I should say, for the major oil companies since 2001 to today is up by a factor of 300 percent. That is felt by the average family, the average working person, as if it were a tax. There is no difference, really, in terms of the impact on them. The difference is where it goes. It doesn't go into programs that can help us develop our new transportation technologies. It goes to wherever the oil companies decide to invest it, which is usually in perpetuating the same kind of energy use that they are already profiting from.

But that is a longer conversation than we can have in my five minutes. I wanted to ask you about——

Mr. DEFAZIO. I will give you extra time for that conversation.

[Laughter.]

Mr. HALL. I wanted to ask you about the Commission's vision of growth as a driver, and development as a driver of transportation demand, the demand on the surface transportation system. And if you could elaborate somewhat on the degree to which smart growth principles might prevent sprawl and decrease commuting times and how much they were a favor, how you envision them affecting the implementation of our work in the future.

Secretary PETERS. Congressman Hall, we did talk about the issue of growth and development and how that impacts transportation patterns. One of the very good things that came out of the report was a new program called "Metropolitan Mobility," what was suggested by the majority commissioners, to really look comprehensively at land use development, what is happening in communities and then structure the transportation solutions to meet what that community decides they want to do and how they want to develop. And again, having a great deal of fungibility, so that the dollars could be spent in a manner that best helps those communities meet their needs.

So there was a lot of discussion about that. I support doing that, I just don't think the Federal Government should collect the money and then give it back to them to do it. I think states should collect the money and keep it, instead of sending it to the Federal Government, where it takes on not only a Federal identity but a host of other requirements that are not necessarily conducive to that community.

Mr. HALL. Thank you. One more question. In the Commission's report there is a good deal of discussion of expedited siting, streamlining of project approval, and other initiatives to get projects moving faster, which of course everybody would agree is a good objective. However, as we have seen in other infrastructure debates, sometimes these goals can get out of balance. In your discussions of streamlining, was the use of eminent domain or the bypassing of NEPA or environmental impact statement requirements considered or meant to be implied in the report?

Secretary PETERS. Congressman, in terms of NEPA, or other aspects of that, there was no consideration of bypassing those. There was discussion of the overall process for getting an EIS done, environmental impact statement. The majority commissioners suggested that we go to a one step process. My concern with that, and I am one of the biggest fans of streamlining the environmental processes, but my concern is we don't want to impact any of the public comment periods, the opportunity for the public to comment, to be involved in project development. Because at the end of the day, they are going to live with these projects. So I think that we have to be very careful not to circumvent the opportunity for that involvement while streamlining, but I think we can do both.

Mr. HALL. Thank you very much, and thank you for your work with the Commission. I just wanted to comment that when I was stuck in a traffic jam, coming down yesterday to catch the Acela, which was the rest of my trip, and the best part of my trip to Washington, my hybrid turned off at every traffic jam and every stoplight and put out no emissions and used no fuels. So there are a lot of good solutions available.

Thank you, Mr. Chairman. I yield back.

Mr. DEFAZIO. Thank you. Mr. Shuster?

Mr. SHUSTER. Thank you, Mr. Chairman. Thank you, Madam Secretary, for being here today. I think there is no dispute that we have to find money to invest in our infrastructure in this Country. Across the Country, across the political spectrum, I think everybody agrees. The debate I guess we are having is, where do we get it. I think sometimes as Republicans, we have a knee-jerk reaction, whether it is fees or taxes, not to do any of them. Again, not that you are taking a position against all of them, but as I talk to my colleagues, some of them are against tolling, some of them are against congestion pricing, some of them are against raising the gas tax. None of those solutions are a perfect solution to finding the money.

Again, as Republicans, I think it is important to point out that we have a role laid out in the Constitution, whether it is for national security, whether it is maintaining post roads or interstate commerce. All those clearly state that we have a role as a Federal Government to participate in a national transportation system. And it is the core of our global competitiveness, we have to have the roads to get to the ports to ship our goods overseas and ship goods into America. So it really is a core of how we are going to be able to compete going into the future, having a good transportation system, highways, rail, the whole system.

Looking the three major ways to raise money, the gas tax, tolling, and private-public partnerships, which in Pennsylvania, the tolling issue with 80 and the private-public partnership with the Pennsylvania Turnpike being sold or leased, are very hot-button issues. I wondered if I could have you comment on the tolling of I-80. Again, it is a very hot-button issue.

The greatest two concerns I have are the time it takes to get money after you have tolled and then get the money coming in is going to be years. That is an issue. But an even greater concern is that that money will go into southeastern Pennsylvania, into Philadelphia and into the transit system, and that money should stay on the road bed on 80 and expanding our road systems.

Could you comment on that situation on Route 80?

Secretary PETERS. Yes, Congressman Shuster, I would be glad to.

In terms of I-80, the State has made an application to toll Interstate 80. The Department has not gone back to them to get some information on their application, so we certainly haven't made a decision on it yet. The process under which they have applied is the Interstate Rehabilitation, and I forget some of acronyms that have to do with it.

But it does place restrictions on where and how funding can be used from tolling. The funding can be used first for debt service on the facility and for the operation, maintenance and upkeep of the facility. It can allow for a reasonable rate of return, assuming there is a private sector investor or private party involved in the transaction. But it cannot be moved and used off-system. It has to be used on that facility for the reasons roughly that I outlined. I will follow up with you with a very specific response of everything that is involved and where and how those funds can be used.

I wanted to briefly touch on the fact that even it tolls are implemented, there is some time before the money actually accrues. What is available, though, is bonding against that money. There is a pretty good system that says, if you are going to be collecting these tolls, we can front-load that through bonding or loan programs or other things, and let the facility have the money up-front. But there again, there are strict restrictions on where they can use the money.

Mr. SHUSTER. And that is on the congestion pricing. I disagree with my colleagues and agree with you. I think that the studies prove that congestion pricing causes the traveling public, commerce to be smarter, wiser, when they travel. I think that certainly is an alternative, and a good one. Again, the timing issue on that, congestion pricing, if you are going to do it in New York, is it that the money flows immediately or pretty close to it?

Secretary PETERS. It does. It will start being collected immediately. But again, knowing that that money is coming, you can go to the bond market and basically front-load, so that you can have the cost of implementation of the system up front, and then pay that back over time.

Mr. SHUSTER. Right. And a final question. Pennsylvania was have criticized in this Committee in that they spent, I forget the exact figures, about $1.6 billion on the bridge program, or they were supposed to spend $1.6 billion on the bridge program. It appears as though they didn't spend that money, and it is just an appearance, because of the way we wrote the law. Pennsylvania, if you are going to reconstruct five miles of roadway and there are four bridges on it, you have to have a separate contract under the Federal law for each bridge and the roadway. Pennsylvania reflects that money out of there to be able to come back and say, we want to have one contract for that, because we will save millions of dollars.

Is there any way that you at the Department can change that, or do we have to do that legislatively?

Secretary PETERS. I didn't realize that was a problem. I will look at it, and if we need a legislative change, I will let you know. I think you are exactly right, there is a misperception that bridge money isn't always being used. As you said, too often it is incorporated in a larger project and isn't singled out as a bridge construction.

Mr. SHUSTER. Pennsylvania actually spent over $2 billion in a two or three year period, $500 million more than what was supposed to be spent under the legislation. So again, thank you very much for being here today. We appreciate it.

Secretary PETERS. Thank you.

Mr. DEFAZIO. Madam Secretary, we are having another series of votes. I know your time is precious, these will be the last few questions.

Just back to the issue where you talked about all the additional money we are spending, I guess at the time I didn't raise the point, but I would like to raise the point, we have here a very interesting study called Twenty Years Behind: Smart Investments in Minnesota's Transportation Infrastructure. I got out of a little bit of my question previously, where I asked wouldn't you even look at indexing the existing gas tax, so that at least its contribution would maintain at the current and adequate level, and you demurred on that.

In this case, what they did is they looked back 20 years ago, over 20 years in Minnesota, they took all the Federal money, they took all of the State money and they adjusted it for two things: inflation, purchasing power, and vehicle miles traveled. And today's Federal investment in Minnesota in terms of real dollars on the ground, because of construction cost inflation, and vehicle miles traveled, is one half of what it was 20 years ago.

So I guess I come to a different conclusion when you say, gee, we are investing this vast amount more money and it is failing us, no, we are not really. In real dollars and in the growth of use of the system, we are investing at about half the rate we did 20 years ago. I think that is sort of a basic fallacy of this premise that somehow this vast amount of money is being spent inefficiently. There is no vast amount of money being spent. We are spending less than 2 percent of our GDP on all our infrastructure. China is spending 9. We are not keeping up here. And I guess I just feel strongly that when we talk about the money that I believe there is a significant and continuing Federal role and you don't.

I guess I have a question about the 60/40 or the 12 of the 18 cents. Where does transit fit into that? Does transit come out of the 12 cents that would be retained for the Federal Government and give the other 6 cents back to the States?

Secretary PETERS. Mr. Chairman, I actually differentiated, 60 percent to highway, roads and bridges, a good portion of which can be flexed, by the way, 20 percent to transit. So we have basically a 20 percent factor that we might be able to look at.

Sir, I do believe there is a Federal role. I do believe Federal leadership and Federal vision is important. I just don't think the Federal program should be as bifurcated as it is today.

Mr. DEFAZIO. Well, I think we could agree on that part, bifurcated. I am for simplification. I am also for more efficiency. We did pass standards or changes in the environmental standards after an incredible amount of work in SAFETEA-LU. To the best of my knowledge, there is no rule implementing those changes that we thought would streamline the processing and create more efficiency for Federal programs. Can we expect a rule to implement those some time?

Secretary PETERS. Mr. Chairman, I will go back and look into that. I don't know where it is right now, but I can assure you that it was a very high priority for me when we worked on the bill together.

Mr. DEFAZIO. That would be great, because the clock is ticking and it has been a few years.

If I could, on another point which was raised, I can't remember who was raising it—oh, it was Mr. Baird, I believe, on transit-oriented development. We had Mr. Weyrich in, who was arguably as far to the right as some of the advisors to the Administration, the Reason Foundation people and all that. But he says his economists can easily quantify the economic benefits of transit-oriented development, and in fact, he believes that he can prove that with the Federal investment that is made, that the benefits are so high that ultimately, the Federal Government is going to more than recapture its small investment.

But somehow the Federal Transit Administration is unable to quantify the economic benefit and follow some of the other standards that we set in SAFETEA-LU for evaluating transit, in particular, streetcar, light rail projects, Small Starts-New Starts. Can you enlighten us there why somehow someone who arguably represents a group pretty far to the right feels the investment can be justified and can be measured and the Department can't figure that out?

Secretary PETERS. Congressman, I want to make sure that I speak accurately, so I am going to tell you what I know based on my knowledge of this issue, and then I will get back to you on the record. The process by which these projects are evaluated today does not allow that comparison to be made. It is an issue that Administrator Simpson and I have talked about at length, and believe would be appropriate to be able to include the economic benefit of the project——

Mr. DEFAZIO. But the law does require that we include that.

Secretary PETERS. I will go back and look at the process. We have both been a little frustrated by it.

Mr. DEFAZIO. Okay. That is great. And then I would just come back to, I would like for people to either follow up or not follow up. We had Mr. Duvall in last year and we pointed out that you put up on your website this sort of model legislation for PPPs. We pointed out there was no cautions in there about non-competes and other problems. He said, well, that was coming. Then we had this other fellow, who I always say should work for the State Department, Jeff Shane was in. He would be a great diplomat. And he said, yes, it was coming.

It is still not there. I think you would agree, despite some of your reservations about restrictions on PPPs, that non-competes are particularly problematic. We had the S.R. 91 problem in California, where the State had to buy the road back to do what they said was a safety improvement that the vendor said was violating the non-compete clause. As I pointed out to the folks from Indiana, let's just say we had a proposal from a company that was looking at coming to Oregon or going to Australia and there were some transportation issues. And what I put to Indiana is, I said, you can't build it, if someone in the middle of Indiana on some lower value farm land wanted to build a huge industrial project and you were competing with Australia, you would have to go to Macquarie from Australia and get their permission to build the interchange. You have lost control of the asset and/or your transportation system, and within 10 miles on either side of it, you can't build anything that would compete with that road.

I think there are some pitfalls here, and we can disagree on the margins. But I think, and Chairman Oberstar and I have undertaken to provide some direction, but I really would hope that the Department will deliver on the promise that we had and granted, it wasn't from you, but from Mr. Duvall and Mr. Shane over the last year, that you would put up sort of questions, answers, problems, lessons learned kind of thing.

Secretary PETERS. Sir, we will do that, and my apologies if we have dropped the ball on that. Again, I spoke earlier about the GAO report that has just come out. I think it gives us a good basis to move forward with some parameters to establish what is in the Federal or the public interest.

Mr. DEFAZIO. Yes, they do say here in the GAO report, page 10, Secretary of Transportation should direct the Federal Highway Administrator to clarify Federal Aid Highway regulations on the methodology for determining excess toll revenue, including reasonable rate of return to private investors and highway, public-private partnerships that involve Federal investment. They go on to say, Congress should consider directing the Secretary of Transportation in consultation with Congress to develop and submit to Congress objective criteria for identifying national public interests in highway public-private partnerships.

Secretary PETERS. I agree. In fact, I don't know that we have to wait for you to direct us. We will go ahead and start working on that and consult with you.

Mr. DEFAZIO. Great. With that, I will thank you for your generous allocation of time and your testimony. Apparently we have five votes, so the Committee will stand in recess until those five votes, then we will take up the next panel. Thank you, Madam Secretary.

Secretary PETERS. Thank you, Mr. Chairman.

[Recess.]

Mr. DEFAZIO. The Committee will come back to order.

We will go in the order as was listed. Mr. Pete Rahn, Director, Missouri Department of Transportation; followed by Mr. Christopher P. Boylan, Vice Chairman, Government Relations, American Public Transportation Association; and then Mr. C. Randal Mullett, Vice President, Government Relations and Public Affairs, Con-Way, Inc. Please proceed.

TESTIMONY OF PETE RAHN, DIRECTOR, MISSOURI DEPARTMENT OF TRANSPORTATION; CHRISTOPHER P. BOYLAN, VICE CHAIR, GOVERNMENT RELATIONS, AMERICAN PUBLIC TRANSPORTATION ASSOCIATION; C. RANDAL MULLETT, VICE PRESIDENT, GOVERNMENT RELATIONS AND PUBLIC AFFAIRS, CON-WAY, INC.

Mr. RAHN. Mr. Chairman, Members of the Committee, I am Pete Rahn, Director of the Missouri Department of Transportation and President of AASHTO. Thank you for this opportunity to provide the perspective of State DOTs on the report of the National Surface Transportation Policy and Revenue Study Commission.

AASHTO commends this Committee for establishing the Commission and we are proud that one of our own, my colleague, Frank Busalacchi, Secretary of the Wisconsin Department of Transportation, served on the Commission.

Through the testimony of our members and a series of reports, AASHTO provided substantial input into the Commission. In May 2007, we convened transportation leaders from around the Nation in a transportation vision for the 21st century summit. The resulting vision document was co-signed by 21 national transportation organizations. Much of that input has been reflected in the Commission's report.

We believe the Commission got the big ideas right, including the need for fundamental reform of the Federal transportation program, the need for significant additional investment, a strong Federal role and a shared funding responsibility by Federal, State and local governments, the need for a multi-modal approach with greater emphasis on transit and inter-city passenger rail, an increase in Federal revenues, be it through taxes or other means, the need to transition to an alternative revenue source 20 years from now, greater use of tolls and public-private ventures to supplement revenues at the State and local levels, systematic planning to guide investment to where it is most needed, a performance-based program, accountability for results and investment focused on matter of genuine national interest.

We believe the Commission was accurate in its assessment that the U.S. needs to invest $225 billion per year from now to 2050 to meet national needs. Today, we are investing less than 40 percent of that amount. We also believe they were correct in their assessment that the only way to increase funding to the levels needed is for all levels of government to continue to fund their share.

State and local governments, even with the aid of private partnerships, will not be able to meet national investment needs without a strong Federal partner. With the explosion of international trade and the expansion of the global economy, we must improve the reliability of our freight system for interstate commerce. Now more than ever, we need a strong Federal partner. With the continuing growth of this Nation and the concentration of population in urban areas that produce 86 percent of our Nation's GDP, we must reduce congestion so that people and freight can move freely. Now, more than ever, we need a strong Federal partner.

The Commission called for reform of the Federal program to ensure that it is performance-based, accountable and focused on issues of true national significance. They call for restructuring the program to address ten priorities: preservation, freight, metropolitan congestion, safety, connecting with rural America, inter-city passenger rail, environment, energy, Federal lands and research. We want to work with Congress to make sure that these reforms are implemented in ways that can work at the State level and also to craft programmatic solutions that meet the needs of all of our States, large and small, rural and urban. We agree with the Commission that it takes too long to deliver transportation projects and that reforms must be instituted to speed project delivery.

When Congress first proposed the idea of creating the national commission, one of its fundamental questions was whether it could continue to rely on the Federal fuel tax as the main source of revenue to support the Highway Trust Fund. We find it instructive that the Commission determined that the fuel tax will continue to be a viable source of funding, but that a transition to an alternative, such as a VMT tax, will be needed by the year 2025.

It will be up to Congress to determine how to sustain the solvency of the Highway Trust Fund and how to increase future revenues, so that the Federal share of the surface transportation funding can be increased to the levels needed. We are depending on the Senate and House to find ways to avert the immediate funding crisis pending this year, so that States receive highway and transit funding at the levels guaranteed in SAFETEA-LU.

When these programs come up for reauthorization in 2009, unless Congress finds ways to sustain highway and transit funding, over the short run, States will face a dramatic cut in their highway and transit programs. Frankly, over the longer term, both the Federal Government and the States must step up to the plate with additional funding to meet current and future demands on the highway and transit infrastructure.

As one way to help, AASHTO proposed the creation of a national BRAC-like commission with limited responsibility to address user fee rates to the Highway Trust Fund.

Mr. DEFAZIO. Thank you.

Mr. Boylan?

Mr. BOYLAN. Thank you, Mr. Chairman and Members of the Committee.

Before I start my remarks, I would like to preface it with a little bit about the MTA system which I represent, and also the 1,500-member American Public Transportation Association. The MTA's history is one of dis-investment in the 1950s, 1960s and 1970s that left us in dire straits. In the last 10 or 12 or 20 years we have spent over $60 billion to rebuild the system. In the process, we have reclaimed what was a regional and national treasure.

The numbers from that investment, the reinvestment in that system, have spoken for themselves. Our ridership over the last 10 years is up nearly 50 percent. In fact, we are seeing riders that we haven't seen since 1952, before everyone had a car in their garage. Our on-time performance is up from the low 80 percents into the upper 90 percents. Our mean distance between failure is down. Our bridge and tunnel traffic moves faster than it had moved before, because of investments in technologies.

And when we talk to our customers, they tell us because it is because of the improvements and the investments that we have made in the reliability and the performance of our system. None of that would be possible without a strong commitment from New York State, New York City, our other local partners, and of course, Mr. Chairman, the Federal Government. We are grateful for that continued and stable support.

So that is why the work of the Commission holds such relevance and resonance for the MTA and for my transit colleagues at APTA. Their work was thorough and they clearly drew a link between a successful and internationally competitive U.S. and the investments needed to improve our national infrastructure. They also understand that if we retreat on investing in that infrastructure, or if we do only the bare minimum, we will exacerbate what we call our growing crisis of capacity in terms of our systems, as populations grow over the next 20 years and our systems are operating at capacity today.

Either scenario will leave us at a competitive disadvantage in the global marketplace as Europe and Asia continue to invest. I found some of the comments about Asia and the folks who are visiting here in Washington very interesting this morning. We have had no less than eight to twelve systems visit us in the past year, five of which were from China, Beijing, Shanghai and others who are building systems in the next five years that will equal or surpass the system that it took us a hundred years to build. So there are some pretty significant national competitive issues at play.

We naturally liked the fact that the Commission calls for a bold approach and reinforces a strong Federal role. We also particularly like the fact that they believe that transit has a pivotal role in a balanced, inter-modal system. We like the idea of performance measures, increased efficiencies, improved product delivery, and even private participation. They are all good areas to explore. But as we know from past experience, none of those alone, or perhaps even collectively, will solve the transportation problems or adequately address the magnitude of the need. They are just too great. Substantial, immediate and real investment is needed.

Now let me turn my attention to a few of the areas highlighted in the Commission's report quickly. The report notes that public transportation infrastructure needs about $13 billion a year in investment, something that will grow to $21 billion to $34 billion by 2020. Our own industry sees the need today at about $40 billion a year. So we know that the need is considerable, real and growing.

As I mentioned earlier, at APTA we are particularly pleased that the Commission calls for an expanded Federal role. The report notes that public transportation and inter-city passenger rail will play a significantly larger role in America's mobility. Our transit systems work symbiotically with highways to alleviate congestion, allowing for more efficient transportation of passengers and goods. And the inter-relationship is readily acknowledged by our partners at AASHTO, ARTBA, the Chamber of Commerce and others with whom we work. It will continue to be critical as our population and economy grow.

One thing we find particularly troubling, as I wrap up, Mr. Chairman, we are troubled that some people see public investment in transportation as a drag on the Federal budget on the economy, rather than the catalyst that it is. It certainly has been a catalyst in the New York area, with many transit systems. We believe that there is continued return on investment. Maybe they don't show up on the balance sheets of our transit system, but they certainly show up on the balance sheets of companies throughout the Country.

I will wrap my remarks up, thank the Committee, and I would be happy to answer questions as we go forward.

Mr. DEFAZIO. Thank you.

Mr. Mullett?

Mr. MULLETT. Thank you. Mr. Chairman and Members of the Committee, thank you very much for the opportunity to testify today.

My name is Randy Mullett. I am Vice President of Government Relations and Public Affairs for Con-Way, Inc. I am testifying today on behalf of the U.S. Chamber of Commerce.

Last fall, the Chamber testified in front of this Committee that there is abundant evidence that America's infrastructure is not only showing its age, but also showing that it lacks capacity to handle the growing volume of people and goods that are moving today. We wholeheartedly agree with the commission that continued under-investment and business as usual transportation policies and programs will have a detrimental effect on United States' competitiveness and on the everyday lives of all Americans. To avoid these dire predictions and to meet the needs of the economy of the future, the next era in surface transportation will require a multimodal and intermodal approach that will assure U.S. competitiveness in the global economy. This is a name that emphasis the need for the Federal Government to play an important role.

Although every level of government will need to step up to the plate, it is the Federal Government that bears primary responsibility to ensure that infrastructure investment is better aligned to support our national interest of economic growth, personal mobility, interstate commerce and foreign trade.

The Chamber is pleased to see that the Commission calls for a transportation system that explicitly values freight movements. On a typical day, about 43 million tons of goods, valued at $29 billion, moves nearly 12 billion ton miles on the Nation's interconnected transportation network. According to the Federal Highway Administration, without new strategies to increase capacity, congestion may impose an unacceptably high cost on the Nation's economy and productivity.

We also agree with the Commission that metropolitan mobility, congestion relief and small city and rural connectivity deserve national focus and resources. Increasingly, congestion imposes additional costs on employees and employers alike. State and local chambers of commerce known well that their communities need transportation choices. Those options are a valid aspect of economic development strategies.

The Chamber commends the Commission for its strong statements on the need to speed project delivery. It is appalling that major highway projects take approximately 13 years to advance from project initiation to completion. Regulatory red tape and lawsuits can bring even the most common-sense improvements to a grinding halt. We concur with the Commission that it is possible, and indeed essential, to speed project delivery while adequately addressing environmental and community impacts. This must be a top priority in the next authorization.

When it comes to funding and financing, every option must be considered to address the enormous needs of our Nation's transportation infrastructure. As a nation, we must face this fundamental fact. We cannot separate transport growth from economic growth. We are a growing people and a growing country with aging infrastructure. We must fix what we have, and if we want a new road, a new runway or a new transit system, we must pay for it.

Additionally, while chronic under-investment is a major contributor to problems across all modes of transportation, the Chamber encourages Congress to examine ways to spend infrastructure dollars more wisely. We must address the diversion of funding away from intended uses and the lack of resource prioritization that marked many Federal transportation programs. The public must have confidence that transportation programs will deliver real solutions to real problems or they will not support increased investment in any form.

In conclusion, last fall when the Chamber presented testimony to the full Transportation and Infrastructure Committee, it pledged to engage the business community through the Let's Rebuild America campaign. The Chamber has followed through on that pledge by waging a battle in the media to make infrastructure a core national economic priority, by identifying regulations that get in the way of private investment, and by speaking out on the need for increased public investment.

With the release of the Commission's report, all transportation and infrastructure stakeholders have started coming to the table. Working together, we are going to put an end to the intramural squabbles that have traditionally divided these stakeholders. We are going to rally and unite around an urgent and compelling mission: to rebuild America.

Thank you very much for the opportunity to be here today. I look forward to answering any questions.

Mr. DEFAZIO. Thank you.

We will have a quick round of questions. I will direct mine, I know Mr. Rahn has a plane to catch, so I will direct a question to you and then if John has any questions of you, we will direct them, then we will dismiss you, then we can go to the other two members of the panel.

From the perspective of your State, the congestion pricing discussion that we had earlier on public-private partnerships where even the Commission leans fairly heavily, at least for their lower number, on congestion pricing. Obviously, Secretary Peters puts all of her eggs in the congestion pricing and private-public partnership tolling basket.

As secretary of a State department of transportation, how much do you think this would help your State with your problems? No more Federal investment, Federal investment frozen and declining because of the cost of construction in real dollars. And we are now giving you license to go out there and do congestion pricing, private-public partnerships and all these other things. Do you think that will do the job for you? No tax increases in your State, either.

Mr. RAHN. Mr. Chairman, the scenario that you have just painted is a very limited one from the standpoint of actually being able to address all of our problems. The Missouri system, and I am not speaking on behalf of AASHTO at this point. Of our 32,000 mile system for which we are responsible, 265 miles carry 20 percent of our traffic. Then, I have 27,000 miles that carry 20 percent of our traffic. So obviously, public-private partnerships are not a solution for those 27,000 miles of our system, but they might very well apply to those very few roads that carry a lot of traffic.

So I believe, both from the State of Missouri, and I would also add that the position of AASHTO is that public-private partnerships do have a role. But it is a relatively small role—it might represent somewhere between 7, 8, 9 percent of the resources we need to have available to us. But it is not the silver bullet that is going to solve the problems of transportation.

Mr. DEFAZIO. So you don't think a private-public partnership pricing model is particularly viable for those 27,000 miles of not heavily populated and utilized road area?

Mr. RAHN. That is correct.

Mr. DEFAZIO. One other quick question. I was puzzled, and we were trying to gather some information from the States, both about projects ready to go, and we appreciate your organization's cooperation on that in terms of a stimulus package. I still feel it was a mistake to omit that.

But the second part is, I was puzzled because I thought the no-brainer is, we have to fix the trust fund issue. We heard from the California Department of Transportation, the Commission, they have a paper they have written saying, not one smidgen of impact if the trust fund goes into deficit in the State of California. How about, are there any other States in that position and/or do you think that is a credible thing for California to say?

Mr. RAHN. Mr. Chairman, I wouldn't comment on California's view. I don't know what the facts are that drove them to that conclusion.

Mr. DEFAZIO. Have you heard from any other States who feel like that?

Mr. RAHN. I have not. There might be one or two other States that are in a position to have a view that it would have a minimal impact on them. But the fact is, my estimate would be that at least 45 States, if we see a 45, 50 percent loss of funds in 2010, that that is going to have a devastating impact on our highway programs across the Country.

Mr. DEFAZIO. And won't it roll back? Because many of these are multi-year. My State, for instance, has balanced budget requirements and everything like that. If we looked out into next year saying, the money might not be there to finish this project, wouldn't there be some people who wouldn't initiate projects this year because of that uncertainty?

Mr. RAHN. I believe that for those projects for which multi-year commitments are going to be necessary, I think that for that sort of a project, you are going to find them being put on hold. There is, however, a current estimate I have heard now that the Federal program, given the deficit for 2010, might well be a $20 billion program instead of the current $43 billion. We have already adjusted our STIP, and it is devastating in 2010 to see the projects that are now being shoved to the side just in the event that in fact Federal funding does go away. And it is going to have a noticeable impact on the citizens of Missouri and those people who choose to travel through Missouri.

Mr. DEFAZIO. Thank you.

John, do you have any questions of him? We don't want him to miss his plane.

Mr. BOOZMAN. Just very quickly, being from Arkansas, we adjourn Missouri. I want to compliment you on your leadership. I have had several projects that we are working with Missouri with, and again, we appreciate your hard work and your leadership.

And that is really all I have to say. I know that you have a flight to catch. But again, we appreciate your hard work and like I say, the leadership on a lot of different projects that we are trying to get accomplished.

Mr. RAHN. Thank you.

Mr. DEFAZIO. Thanks, Mr. Rahn. We are going to dismiss you now so you can catch your flight without too much anxiety. I know how that is.

Mr. RAHN. Thank you, Mr. Chairman.

Mr. DEFAZIO. We will have some questions for the other two. And if we have any other questions for you, we will submit them in writing.

Mr. Boylan, Mr. Mullett, I raised an issue with the Secretary about essentially what freezing the gas tax means in terms of the diminished buying capacity, used the example of the Wisconsin study over time. Do you think it would be prudent, I mean, not even getting into increasing, saying, okay, let's look at it, but wouldn't it at least be prudent to index the gas tax to the cost of, say, construction inflation or something else, so that the Federal share wouldn't diminish and ultimately head toward insignificance or zero? Would you support such an approach?

Mr. BOYLAN. I would suggest that the need is so great now beyond what the present resources provide that there needs to be some credible and immediate method to get there. Again, our history at the MTA is that we present the program of needs and the political environment determines what it is. But I will tell you that the need has grown dramatically in New York and throughout the transit industry. We definitely need a new and dedicated and predictable source of revenue. The most immediate one that comes to mind is the existing revenue stream.

Mr. DEFAZIO. Mr. Mullett?

Mr. MULLETT. The Chamber has gone on record as saying that they would support reasonable increases. I don't believe that we have tied that to a specific index. They have tied those reasonable increases, though, to be more certain that the projects that they would be funding would have national significance and would not be diverted off into things that did not meet that criteria.

Mr. DEFAZIO. Mr. Boylan, somehow your agency is able to quantify economic impact from your investments in transit. Do you think you could help the FTA with that, because they are having a heck of a time trying to figure out how to calculate economic impact with transit investment?

Mr. BOYLAN. Both we and the American Public Transportation Association do have models that show what we think.

Mr. DEFAZIO. Really? You have models?

Mr. BOYLAN. We have models.

Mr. DEFAZIO. Do you mean like in a computer and stuff, where you could plug in some assumptions and come up with something?

Mr. BOYLAN. Yes. We created one back in the 1980s, along with the Port Authority of New York.

Mr. DEFAZIO. Maybe you could lend a laptop to the FTA with that hard drive model in there and let them run it, see what happens.

Mr. BOYLAN. We would be happy to do so.

Mr. DEFAZIO. That would be great.

Mr. Mullett, the Chamber, we don't usually see the Chamber wanting to talk about any increases in taxes or fees unless they are expecting something reasonable to result to your constituents, your membership. Do you think there are measurable impacts, such as those Mr. Boylan has laid out from transit investment that benefit the larger business community and the value of property?

Mr. MULLETT. I think there is great evidence that supports those conclusions. There is also, I think, even more evidence that supports the downside for not making those investments.

Mr. DEFAZIO. Really. So where would we look there, like the numbers on hours lost in terms of just-in-time delivery or hours lost by individuals in terms of being caught in congestion? Is that what you are talking about?

Mr. MULLETT. Yes. I think there is plenty of that kind of evidence that has been found.

Mr. DEFAZIO. So if the Secretary, or at least the Department in an earlier hearing said that they measured, I think she said in her minority report, actually, the cost of congestion at $200 billion a year, if indeed—that is a little higher than most other estimates—but if it is that high, wouldn't it be prudent to invest some increment of $200 billion a year in order to lower that number? Couldn't we kind of come out ahead in the end there?

Mr. BOYLAN. Our rule of thumb in New York is that if they eliminated our system, they would have to build 15 extra lanes on the Long Island Expressway just to handle the current traffic. We know that we are doing something that helps alleviate potential congestion in our region. Certainly, the region could not survive if it had 15 lanes on the LIE. So I think we know there is a connection.

Mr. MULLETT. And I think given the framework that you have established, the cost benefit in that is pretty obvious. If you will indulge me for a second, I will put on my trucking hat for a minute and I will put forth that the highway system is our assembly line that we must use but have no authority to improve or invest in ourselves. So we are hopeful that by looking at these things, you all will make a determination that wherever the funding comes from, that investment certainly is necessary if we are going to continue to allow ourselves to grow.

Mr. DEFAZIO. Great. Thank you.

I have a large group here, I am going to turn the conclusion over to Ms. Hirono. I appreciate her coming here on very short notice. She will have some final questions and unless some other Member appears, that will be the end. Again, I thank you for your time. We look forward to a better transportation future jointly, together. Thank you.

Ms. HIRONO. [Presiding] Good afternoon. It is just us now.

[Laughter.]

Ms. HIRONO. I do have a couple of questions for our panel. Mr. Boylan, the FTA currently provides the New Starts projects with a full funding grant agreement which is one of the most reliable agreements in transportation financing today. But if the Commission would have us move to a cost-to-complete scenario, these successful FTA grant agreements may be discontinued.

What is your opinion of the value of an FFGA? I have a particular interest in this, as you may be aware that the city and county of Honolulu is one of the New Start projects on the books.

Mr. BOYLAN. I think there needs to be an overhaul, of sorts, of the New Start process, if you will. Whether the cost-to-complete is the accurate alternative or not, I don't think I am prepared to comment on that. But I will tell you that the process of getting a full funding grant agreement and the hurdles that one has to go through for what are in many instances on their face wise local decisions and good investments for Federal dollars and the like, the process is burdensome, laborious. We just signed two full funding grant agreements in the last two years, both of which took anywhere from eight to nine years to complete.

In that eight or nine years, the cost of the projects necessarily escalate. And not all on the FTA, by the way. I don't want to suggest that all the time in that eight or nine years was the responsibility of the FTA. There were local issues, obviously, that had to be overcome. But the process does need to be slimmed down. There certainly needs to be cost-effectiveness criteria.

You don't want to have the Federal Government spending money inappropriately. But there has to be a better way to do some of this. We are very happy to work with the Committee to construct something new. But something has to be done to change that, because if you speed that product delivery, you save time and money and at the end of the day, we want to deliver a project that you want to finance and not the process to get to the end.

Ms. HIRONO. So probably something short of cost-to-complete kind of a process would be advisable?

Mr. BOYLAN. Something between the two that I think will probably work for us.

Ms. HIRONO. And you will be happy to work with us as we try to figure that out?

Mr. BOYLAN. Absolutely.

Ms. HIRONO. For Mr. Mullett, the Commission's minority calls for a vision that would devolve the highway program back to the States and allow the private sector to fill in the gaps. We heard the Transportation Secretary talk about that. Do you believe that such a system would develop and maintain a national system designed to move interstate commerce?

Mr. MULLETT. I believe that there is a strong role for the private sector, there is a strong role for local and State governments. But the primary responsibly for interstate commerce and our Federal national highway system has to remain with the Federal Government. A cobbled-together bunch of local solutions does not make a national system that is going to be efficient or effective for our economy.

Ms. HIRONO. Is that a position that the Chamber has taken as a body?

Mr. MULLETT. Yes. The Chamber is supportive of all solutions that are on the table now being part of the total solution. But they do believe that a strong Federal presence is important.

Ms. HIRONO. I think I read in one of their earlier testimonies that something like 40 percent of funding from the Federal Government is desirable, and you would agree with that, to continue that level of participation?

Mr. MULLETT. Yes, and I can't comment on that previous testimony, because I am not familiar with that.

Mr. BOYLAN. It is about right. In the transit part of the ledger, it is varied over the last 20, 25 years from 40 to 50 percent of the investment. It certainly needs to be in there, certainly at greater levels, but yes.

Ms. HIRONO. Having served in State government, I would agree that we need to maintain a really very strong Federal role in our national transportation system.

That is it, folks. This hearing is adjourned. Thank you very much.

[Whereupon, at 1:45 p.m., the Committee was adjourned.]

Committee on Transportation and Infrastructure

Hearing on "Reviewing the National Surface Transportation Policy and Revenue Study Commission Report"
Thursday, February 13, 2008

Statement – Congressman Jason Altmire (PA-04)

Thank you, Chairman Oberstar, for calling today's hearing to further discuss the National Surface Transportation Policy and Revenue Study Commission's report entitled, "Transportation for Tomorrow." This report, required by SAFETEA-LU, provides our Committee with insight into the challenges we face developing a long-term plan to serve the transportation needs of our nation over the next 50 years.

Last month, our Committee had the privilege of hearing from a number of Commissioners who support the Commission's final report. At the time, I expressed concerns with a number of their recommendations, particularly the increase in the federal gas tax. While I realize that improvements to our nation's transportation system require significant investment, a $0.40 tax increase to already record high gas prices will place an unbearable strain on America's working families.

I look forward to today's testimony from Secretary of Transportation Mary Peters. Secretary Peters has been vocally opposed to a number of its recommendations, including the increase in the gas tax, and I am interested in hearing her thoughts on alternative approaches that we could take to responsibly and effectively address the infrastructure needs of our nation.

Chairman Oberstar, I would like to thank you again for holding this hearing.

###

Russ Carnahan

OPENING STATEMENT OF
THE HONORABLE RUSS CARNAHAN (MO-3)
TRANSPORTATION AND INFRASTRUCTURE COMMITTEE

Hearing On
Reviewing the National Surface Transportation Policy and Revenue Study Commission
Report: "Transportation for Tomorrow"
February 13, 2008

#####

Chairman Oberstar and Ranking Member Mica, thank you for holding this hearing so we can hear from Secretary Peters and others who do not agree with all the recommendations made by the National Surface Transportation Policy and Revenue Study Commission. I welcome the opportunity to hear from the Director of the Missouri Department of Transportation Pete Rahn and the other witnesses to learn more about their specific concerns about the recommendations made by the Commission.

Incremental changes in the existing federal surface transportation policy is not the right approach as the nation is quickly outgrowing the current system. Instead we must consider the future needs of our surface transportation system and lay the groundwork to address the growth in our system now rather than in fifty years when it is too late. The reauthorization of SAFETEA-LU next year gives Congress a perfect opportunity to reshape our surface transportation policy to address both present needs and establish long-term goals.

Additionally, as we work on the reauthorization of SAFETEA-LU it is critical to address current deficiencies in the funding mechanism to pay for improvements to our highways, bridges, public transit, freight rail and intercity rail. I believe the federal government must take a lead to ensure essential investments are made to our aging infrastructure both in the short- and long-term. As Congress starts to work on the reauthorization of the SAFETEA-LU we must think creatively about we can fund this much needed investment. Adequate funding of our nation's transportation infrastructure is critical to ensure all Americans are able get from place to place safely and easily.

I look forward to hearing from our witnesses. Again I want to thank the Chairman and Rank Member for holding this hearing and look forward to working with each of you going forward.

#####

Statement by Congressman Jerry F. Costello
Committee on Transportation and Infrastructure
Hearing on the National Surface Transportation Policy and Revenue Study Commission Report: Transportation for Tomorrow
Wednesday, February 13, 2008

Thank you, Mr. Chairman. I am pleased to be here today as we examine the National Surface Transportation Policy and Revenue Study Commission Report: Transportation for Tomorrow. I would like to welcome today's witnesses.

In the United States, we have an extensive system of highways, ports, locks and dams, and airports, much of which is antiquated because we have failed to upgrade and modernize our infrastructure.

I have consistently said that we should not build our infrastructure and then walk away without maintaining and modernizing it. Like most on this Committee, I believe that the economic stimulus package should have included improving public infrastructure because we would have put money into our communities, put people back to work, and provided long-term transportation assets. We will continue to push on that point given the findings in this report.

According to this report, a significant surface transportation investment gap exists that can only be filled by an annual investment level of between $225 billion and $340 billion by all levels of government and the private sector. For comparison purposes, our current annual capital investment from all sources in all modes of transportation is $85 billion – we fall far short of meeting the Commission's recommended level.

We must find a way to make the necessary improvements to our surface transportation system to make sure the highest level of safety is maintained and that the US economy remains strong. While I know Secretary Peters and MoDOT Secertary Pete Rahn are big proponents of public private partnerships, I have more questions than answers when it comes to PPPs.

In the short-term, public private partnerships look like a great deal. Local communities and states get cash and resources fast to make the necessary infrastructure and transportation improvements, reduce congestion, and at limited taxpayer expense. However, it is the long-term that worries me. Are we saddling our future generations, our children and grandchildren, with bad investments and debt, even as we spend billions of dollars on infrastructure improvements in Iraq?

No one denies that infrastructure financing is a problem and getting worse. But is moving further away from traditional financing of roads toward for-profit, privately-run roads and bridges a smart decision?

Pete Rahn knows all too well that in the late 1990s, New Mexico wanted to expand N.M. 44 to a four lane road. Funding was tight in the state and as such, New Mexico entered into a public private partnership agreement to design, manage, and build a road with a 20 year pavement performance guarantee. The warranty deal is quite questionable and may be costing taxpayers more money.

When New Mexico entered into this agreement, it thought it would be changing the way states handle highway construction and maintenance. However, fewer states have gone that direction, but instead, have chosen concession agreements.

Pete Rahn, with support from the Secretary Peters and the US Department of Transportation, wanted to make the Mississippi River Bridge between Illinois and Missouri a PPP. I adamantly fought that because of the concerns I expressed above.

Infrastructure financing is a problem and I believe we must look at a variety of options, including a tax on the barrel not at the pump in order to bring in additional revenue.

Regardless, we must all be committed to improving our transportation infrastructure so that our constituents; our communities; and our commerce do not continue to suffer.

I look forward to today's hearing as we examine this important issue.

Nick Rahall

Remarks of US Rep. Nick Rahall

Hearing on the National Surface Transportation Policy and Revenue Study Commission Report: "Transportation for Tomorrow"

Committee on Transportation and Infrastructure Full Committee
2167 Rayburn House Office Building
February 12, 2008

Mister Chairman, thank you for giving me the opportunity to speak here today. I also want to thank you for holding this hearing. As this is an issue we will be dealing with for a long while to come, I appreciate all the hard work you have been doing.

I would like to thank Secretary Peters for joining us here today. All of us are grateful for the time and energy you have put into this report.

I also want to praise all of the members of the Commission for the sacrifices they have made to work on this report. This is a difficult and time-consuming job and I, for one, am proud at how all of them stepped up to the challenge. In their mission to develop fair and just recommendations, they have shown a firm commitment to both the reality that more investment is needed and to the consequences if that investment is not used more effectively.

Secretary Peters, I want to commend you for recognizing that our transportation needs cannot be solved by public or private sectors alone, but that a strong public-private partnership is needed. We have done this in West Virginia.

There are many examples of coal companies pounding out modern roadbeds in order to mine the coal in West Virginia, paying much needed revenue to county and local unites of government, all the while leaving those roadbed in place for the Federal and State governments to build much needed infrastructure at much lower costs.

However, I am concerned that some of the recommendations from both the majority and minority members of the Commission do not fully take into consideration the very real needs of our rural communities. And, most of this great nation is rural and rural America has needs that must be considered. As you know, the costs of road building in some rural American areas, like the Third Congressional District of West Virginia, can be up to $24 million per mile, as opposed to $1 million per mile in flat areas.

I also have concerns that relying to heavily on support from the private sector, while, at the same time, decreasing the many roles of the Federal government could negatively effect too many of the hard-working people in my state.

I am worried that the citizens in states with long commutes, like West Virginia, could be unfairly hurt by over-reliance on tolling or congestion pricing implementation. I do not think anyone wants to punish hard-working Americans for driving the extra-mile just to get to work.

In closing, I want to reiterate that I appreciate the work that you have done on this report. I believe there are very good points included and I look forward to

working with you to address my concerns and build a better system for future generations.

Thank you again, Mister Chairman, and I ask that my statement be included as part of the official record.

John T. Salazar

Opening Statement
Congressman John T. Salazar
T&I Full Committee Hearing
National Surface Transportation Policy and Revenue Study Commission Report
February 13, 2008

Thank you, Mr. Chairman, for calling this second hearing on the Commission's report on national surface transportation policy.

I appreciate the great task that was put before the commission.

And I appreciate the Secretary being with us today.

As I said at the last hearing, our nation's surface transportation needs are great, and I'm afraid we have fallen behind in maintaining and improving them.

The Colorado Department of Transportation's FY 2008-09 budget currently stands at $1.3 billion.

But that number is forecasted to decline in future years with diminishing revenue sources and average approximately $1 billion annually for the next three decades.

To sustain the state highway system at its current performance levels through 2035 would require an additional $64 billion.

That's $2.3 billion annually above its forecasted revenues.

And to accomplish the 2035 Statewide Plan's vision for the state highway system would require $4.4 billion annually above its projected revenues.

In Colorado, there are over 100 bridges with a structural deficiency rating of 50 or less.

It will take substantial investment of funds in the next re-authorization bill to help address this important issue.

But my DOT stresses how important it is for them to have flexibility for transportation financing.

So I'm eager to listen to the debate over public-private partnerships and other ways some of our states are trying to finance their projects.

I look forward to today's hearing and I thank the panel members for being here.

Thank you.

Ellen O. Tauscher

OPENING STATEMENT OF
THE HONORABLE ELLEN TAUSCHER (CA-10)
TRANSPORTATION AND INFRASTRUCTURE COMMITTEE
U.S. HOUSE OF REPRESENTATIVES

Hearing on
Reviewing the National Surface Transportation Policy and Revenue Study Commission Report: "Transportation for Tomorrow"

Wednesday, February 13, 2008
2167 Rayburn House Office Building

Chairman Oberstar, I would like to thank you for holding our second hearing on the National Surface Transportation Policy and Revenue Study Commission report.

We established the Commission in the 2005 SAFETEA-LU Bill and gave it broad discretion to investigate the future demands on our nation's surface transportation system.

We also asked the Commission to forecast the funding levels that will be necessary to maintain and improve our transportation infrastructure in the future.

I would like to commend the Commission for their work.

The twelve Commissioners produced a ground-breaking report, which will assist this Committee as we seek to construct a new transportation plan for our nation.

I am glad to see Secretary Peters here today, in order to present her views on the Commission's report.

I believe the debate would have been better served if the Secretary had appeared before our Committee with the other Commissioners on January 17.

I think it is unfortunate that nearly one month after the release of the report, our Committee is hearing from the Commission's Chair, Secretary Peters, for the first time.

Immediately after the report's release, you sent your comments to Capitol Hill and talked extensively to the media, but this is the first time you have talked to our Committee.

Based upon the comments that you made to the media, I must say that I disagree with your reaction to the Commission's report.

Your desire to dramatically scale back federal investment in our transportation infrastructure and allow unfettered private investment is unwise.

The nation's transportation system is a public service that requires active participation at all levels of government.

While I enthusiastically support structured involvement in public-private partnerships, the federal government must demonstrate that it is committed to maintaining and expanding our infrastructure.

Under Secretary Peters' plans, the federal government's investment in our infrastructure will be dramatically reduced, if not virtually eliminated.

While I respect the views of the Commission's dissenting members, I am sure that our Committee has different plans as we re-write the surface transportation bill.

Thank you, Mr. Chairman, and I yield back the balance of my time.

####

Testimony Of

Christopher P. Boylan

Deputy Executive Director
Corporate Affairs and Communications
New York State Metropolitan Transportation Authority
New York, NY 10017

and

Vice Chair, Government Affairs
American Public Transportation Association

Before The

House Committee on Transportation and Infrastructure

On

Public Transportation's Perspectives on Transportation for *Tomorrow*
The Report of the National Surface Transportation
Policy and Revenue Study Commission

****

February 13, 2008

INTRODUCTION

Good Morning Chairman Oberstar, Ranking Member Mica and members of the Committee. Thank you for inviting me to appear today to comment on the recommendations of the National Surface Transportation Policy and Revenue Study Commission. I do so on behalf of both my system, the NYS Metropolitan Transportation Authority (MTA), the largest public transportation provider in the U.S., and the 1,500 member American Public Transportation Association (APTA).

Before I comment directly on the report, I'd like to preface my remarks with a bit about the structure and history of the MTA system. I think you'll see its relevance to my subsequent comments on the Commission's work.

The MTA is a *state* Authority that serves a region of 14 million people, 14 counties, 2 states and 5,000 square miles. We run the New York metropolitan area's subways, buses and commuter railroads, providing nearly 8.5 million transit rides each day – nearly three billion a year. That accounts for a quarter to a third of the nation's transit and two thirds of its commuter rail trips. In addition, we operate the nation's largest tolling authority which consists of seven bridges and two tunnels that move over 900,000 vehicles carrying 1.4 million people each day.

Our current operating budget is just shy of $11 billion a year – none of which is federal. We also spend $4.5 billion a year as part of our five year capital program to maintain, rehabilitate and improve our 100+ year old infrastructure – approximately 25% of which consists of federal funds.

And while those numbers are an indication of the magnitude of our basic needs, what is more relevant to today's discussion is our history of addressing those needs. It is one that encompasses both unprecedented vision and investment in the early part of the century. But it is also one where egregious neglect and short-sightedness by the '60s and '70s ultimately brought the system, the city and the region to the very brink of collapse.

Since 1982, the story has been one of recovery and in some sense, salvation, as we've invested over $60 billion to rebuild a system that had become by the late 1970s the international symbol of urban decay. Has it been worth the time, energy and money? The numbers -- and our customers – speak for themselves:

- Ridership in the last ten years is up nearly 50%. Last week we reported subway ridership levels not seen since 1952 – before every household in America had a car in the garage.
- On-time performance increased from 85% to over 94% on the Long Island Rail Road, and from 80.5% to nearly 99% on Metro-North Railroad.
- Mean distance between failures (MDBF) for our subway has doubled every five to seven years, increasing from a mere 6,988 miles in 1981 to nearly 145,000 miles in 2003.
- Some 356 rehabilitated subway and rail stations provided a welcome rather than ominous environment for our customers.

- At our bridges and tunnels, average peak-hour queue time at our toll booths dropped from 3 minutes in 1996 to 20 seconds today, despite a 13% increase in traffic. This was due to our investment in new toll technologies and reconfigured plazas.
- Real estate values, particularly in areas we serve, have outpaced national growth.

When we talk to our customers they tell us that all this is because of the improvements in our system's reliability and performance – none of which would have been possible without a strong commitment from New York State, the City, our suburban counties – and Mr. Chairman, the federal government. And we are grateful for that continued and stable support.

And so, that is why the work that the bi-partisan Commission did over the past two years holds such relevance and resonance for the MTA and for all my transit industry colleagues at APTA. In fact, many of us had the opportunity to testify before the Commission and we are gratified many of our recommendations and views were included in the final product.

Their work was extraordinarily thorough. The final report clearly draws a link between a successful and internationally competitive U.S. and the investments needed to improve our national transportation infrastructure. The Commission members also understand that if we retreat on investing in that infrastructure -- or do only the bare minimum -- we will exacerbate what I call our growing "crisis of capacity" as our national population grows over the next two decades while our systems operate at or above maximum capacity *today*. Either scenario will leave us at a competitive disadvantage in the global marketplace as Europe and Asia continue to invest in their transportation infrastructure at record rates.

Accordingly, the Commission calls for a comprehensive and bold approach to address America's transportation infrastructure needs, and pointedly *reinforces a strong federal role* in meeting those needs. From a public transportation perspective, we are very pleased that the report doesn't hedge in recognizing our pivotal role in that system and that balanced intermodal investment is the foundation for a strong national economy.

We certainly support the report's recommendation finding that additional funding is necessary to address investment needs. It seems logical that since we're on the doorstep of Trust Fund bankruptcy that an immediate short-term solution would rely on existing mechanisms. But we also agree that over the longer-term, new and innovative funding mechanisms need to be explored.

We applaud the Commission's suggestion for a program structure that introduces performance measures, increased efficiencies, improved project delivery, and private participation, but we also know from past experience that none of those alone – or perhaps even collectively -- will solve our transportation problems or adequately address the magnitude of the need. Substantial, immediate – and real -- investment is essential.

The challenge of maintaining our current infrastructure, addressing existing deficiencies, and accommodating future growth in population and commerce demands a robust investment in all modes. And while all levels of government, as well as users of the system, should be involved and invested in meeting the need, this crossroads clearly calls for an increased *federal* role in addressing this crisis of capacity.

With that overview, I will now turn my attention to a few of the areas highlighted in the Commission's report:

INVESTMENT NEEDS AND BENEFITS

The public transportation industry agrees that considerable resources are needed to maintain and grow our infrastructure to meet future ridership demands. The report notes that the current level of investment in public transportation infrastructure from all funding sources is $13 billion per year, and that by 2020, to maintain system assets in "good" working condition and accommodate ridership growth, an annual investment of $21 - $34 billion is needed. At the MTA alone, our annual investment needs over the next five years (not necessarily what we can afford, but the actual need) are estimated to be well in excess of $6 billion a year.

The report suggests that the national figure will grow to $26 - $46 billion a year by 2050, but APTA believes the national capital investment needs of our industry already exceed $40 billion. This is based on research by APTA and AASHTO which assumes projected ridership growth of 3.5% and the need to improve the physical condition of our infrastructure and performance.

Whatever the precise number, I think we all agree that the need is considerable, it is real, and it is growing. As the commission report notes, without significant increased investment, the average condition of transit assets will gradually decline over time, leading to a relative shift of riders from transit to highways. This would conflict with national goals of "energy independence and environmental considerations." Considering the many benefits of public transportation and in light of the increased demand on our transportation system as a whole, it is critical that the system is not only adequately maintained, but designed to accommodate future growth.

The benefits of public transportation to the country in terms of conserving energy, minimizing climate change and reducing highway congestion are well documented. A household that uses public transportation saves more than $6,200 every year, compared to a household with no access to public transportation. This amount is more than the average household pays for food each year.

FEDERAL ROLE IN INVESTING IN PUBLIC TRANSPORTATION

As I mentioned earlier, at APTA we are particularly pleased that the Commission calls for an expanded federal role for public transportation. The report notes that the "national interest in quality transportation is best served when modes are rebalanced and travel options are plentiful," and that "public transportation and intercity passenger rail will play a significantly larger role in America's mobility." Our transit systems work symbiotically with highways to alleviate congestion, allowing for more efficient transport of passengers and goods. This interrelationship is readily acknowledged by our partners at AASHTO, ARTBA, the Chamber of Commerce and others with whom we work closely, and it will continue to be critical as our population and economy continue to grow.

In addition, public transportation meets national goals of energy independence and the reduction of global warming. A recent report by ICF International, *Public Transportation and Petroleum Savings in the U.S.: Reducing Dependence on Oil,* found that using public transit saves our nation

1.4 billion gallons of gasoline every year (the equivalent of 108 million cars filling up or almost 300,000 gallons a day). Another study released by APTA and prepared by Science Applications International Corporation, *Public Transportation's Contribution to U.S. Greenhouse Gas Reduction*, found that in a two adult, two car family, a single person switching to public transportation for their commute can reduce their household's carbon footprint by 10% - which is more effective at reducing greenhouse gases than environmentally friendly household activities such as home weatherizing, changing to efficient light bulbs, and using energy efficient appliances.

As noted by the majority and minority reports, the federal government currently contributes approximately 40% of the amount invested in the nation's public transportation infrastructure. In recent years that share has been as high as 51%. Federal involvement and investment must continue at these or greater levels. Decreased investment in maintaining and encouraging an integrated intermodal transportation system is certainly not in the national interest.

It is troubling that public investment in transportation has been looked at in some circles as a drag on the federal budget or the economy, rather than as a catalyst that helps foster, facilitate and leverage private economic activity. The return on investment (ROI) of the MTA's capital program may not directly show up on our balance sheet.

But make no mistake, there are two places ROI *does* show up that make those expenditures a bargain. ROI is buried within the balance sheets of thousands of companies throughout the region through increased mobility and productivity of their workforce. And it appears more tangibly when one factors in the *direct* economic benefits of capital investments in transportation infrastructure. For example, the $16 billion that the MTA invested in its capital program between 1982 and 1991 generated an estimated $27 billion in short-term economic activity, wages, and state and city taxes. The 1992-1996 MTA Capital Program generated an estimated short-term economic benefit of $18 billion on an investment of $12 billion and created an estimated 148,000 jobs. Nationally, each $10 million in capital investment has been found to yield a $30 million gain in business sales.

FINANCING THE PROGRAM

APTA supports the commission's recommendation that something needs to be done immediately to meet the critical investment needs of the nation's transportation system. While alternative methods to finance the program in the future need to be explored, such as congestion pricing, tolling, public-private partnerships and even a carbon tax, the current dedicated funding mechanism has worked well and must be part of the solution for the next authorization period.

In addition, APTA is intrigued by the recommendation to create of an independent "National Surface Transportation Commission" to "oversee development of a national strategic plan for transportation investment and to recommend appropriate revenue adjustments to the Congress to implement that plan." Perhaps such a panel could play a valuable role in speeding project delivery and ensuring that Trust Fund revenues are sufficient to meet investment needs.

RESTRUCTURING THE FEDERAL TRANSPORTATION PROGRAM

As Congress begins the process of authorizing the surface transportation program, the Commission's recommendations will certainly be helpful in shaping the debate.

At APTA we have already convened an Authorization Task Force to develop the industry's recommendations for the 2009 legislation. The Task Force is looking at the Commission's work very carefully. And while we have many questions on how the newly proposed structure would impact transit operations, we generally support many of the goals the report advanced, including:

1) Speeding Project Delivery – Speeding project delivery and reducing the cost, time and effort to gain approval for projects is a top priority for our industry. Every transit operator in the country can relay a horror story of time wasted and the money spent in working through the federal process to deliver projects that have the full support of the local community and clearly make economic sense. The process as it relates to transit investments is overly burdensome and in some cases broken. As a result, in many cases a project conceived today can take more than a decade to come to fruition and cost tens if not hundreds of millions of dollars more. We support all credible reforms that will speed project delivery and save money in the process.

2) Performance-Based Accountability Measures - we support programs that take into account measures of performance and accountability for the full range of economic, environmental, and social costs and benefits of investments. Certainly the federal government should not be funding wasteful projects, but project selection should be made with an eye toward not only immediate positive impact, but also recognizing future impacts that support population and economic growth. Fortunately, our forefathers at the MTA, and throughout the transit industry, had the vision to build systems that served not only the present, but the future, while encouraging economic activity. The decisions they made to invest in our regional and national infrastructure have allowed us to meet today's demand – but we are close to the edge.

3) Asset Management - Maintenance of our assets to ensure a "state-of-good-repair" is critical. Deteriorating systems simply do not attract new riders. We commend the Commissioners for recognizing that a primary responsibility of the federal program is maintaining infrastructure it has already spent considerable resources to build. Proper asset management is cost effective as well, as proper maintenance today alleviates the need for much larger capital investments in the future.

4) Congestion Relief in Metropolitan Areas – Congestion in our large metropolitan areas continues to be a problem, and will only get worse as most of the future population growth is projected to occur in the largest of those areas. Public transportation use is a critical component of reducing congestion. *The 2007 Urban Mobility Report*, released by the Texas Transportation Institute (TTI), found in urban areas alone, public transportation saved 541 million hours in travel time and hundreds of millions of gallons of gasoline. Without public transportation, congestion costs would have been $10.2 billion more that year.

5) Access for Smaller Cities and Rural Areas – APTA supports continued investment in a public transportation system that provides mobility options for Americans in our small cities and rural areas. Every American should have access to at least some form of transit. Transit

provides critical mobility options in small towns and rural areas for those who for some reason do not have access to an automobile- whether for financial reasons, age or disability. This is becoming increasingly important as our population continues to age.

6) Intercity Passenger Rail – APTA supports increased investment to advance intercity rail with new revenue streams. As our airports become increasingly congested, it is vital that passengers have options to travel between metropolitan areas within a 500 mile range. This is especially true as our society looks to become increasingly mobile, and individuals choose to seek employment opportunities that are long distances from their homes.

7) Environmental Stewardship and Energy Security - Public transportation plays a critical role in reducing our reliance on foreign fuels and reducing greenhouse gas emissions. Increased investment in our public transportation system will only serve to further advance these goals. Public transit saves our nation 1.4 billion gallons of gasoline every year. The transportation sector accounts for 1/3 of all greenhouse gas emissions in America. Public transportation is the single most effective way an individual can reduce their carbon footprint. However, we need to give more Americans access to public transportation so they can make that choice.

8) Research, Development, and Technology - We commend the Commission for recognizing investment in research, development and technology are vital to assure that our transportation systems remain efficient, cost effective and environmentally friendly far into the future. Our members are continually rely on new research & technology to increase operation efficiency, provide better service and attract new riders. In addition, recent advances in green fuels and technology have helped our vehicles and facilities to become more energy efficient.

CONCLUSION

In conclusion, the MTA experience is one that was shaped by a history of inadequate investment in our physical assets – a painful lesson to be sure. But the experience of the last 25 years took that harsh lesson and turned our system around. We demonstrated that adequate investment from every level of government to enhance service reliability and quality boosts economic capacity and vitality. Only stable, sustained, and substantial public investment can prevent disrepair from reversing these gains and once again hobbling the transportation system. Not an easy task to be sure, but one which, if history is our guide, is ignored at great peril.

On behalf of the MTA and all the members of the American Public Transportation Association, I thank you for providing me with the opportunity today to share our views on this groundbreaking report. We congratulate the members of the National Surface Transportation Commission for taking on its assignment and encouraging our leaders in Washington to make the tough decisions to invest in the mobility of our citizens, maintain the global competitiveness of our economy, and protect our quality of life.

We look forward to working with Congress and this Committee in particular in using the Commission's work as a guide as we help you shape the future of transportation in America. I look forward to answering any questions that you may have.

Statement of the U.S. Chamber of Commerce

ON:	**REVIEWING THE RECOMMENDATIONS OF THE NATIONAL SURFACE TRANSPORTATION POLICY AND REVENUE STUDY COMMISSION**
TO:	**HOUSE TRANSPORTATION AND INFRASTRUCTURE COMMITTEE**
BY:	**C. RANDAL MULLETT VICE PRESIDENT OF GOVERNMENT RELATIONS AND PUBLIC AFFAIRS, CON-WAY, INC.**
DATE:	**FEBRUARY 13, 2008**

The Chamber's mission is to advance human progress through an economic, political and social system based on individual freedom, incentive, initiative, opportunity and responsibility.

The U.S. Chamber of Commerce is the world's largest business federation, representing more than three million businesses and organizations of every size, sector, and region.

More than 96% of the Chamber's members are small businesses with 100 or fewer employees; 70% have 10 or fewer employees. Yet, virtually all of the nation's largest companies are also active members. We are particularly cognizant of the problems of smaller businesses, as well as issues facing the business community at large.

Besides representing a cross-section of the American business community in terms of number of employees, the Chamber represents a wide management spectrum by type of business and location. Each major classification of American business—manufacturing, retailing, services, construction, wholesaling, and finance—is represented. Also, the Chamber has substantial membership in all 50 states.

The Chamber's international reach is substantial as well. The Chamber believes that global interdependence provides an opportunity, not a threat. In addition to the U.S. Chamber of Commerce's 96 American Chambers of Commerce abroad, an increasing number of members are engaged in the export and import of both goods and services and have ongoing investment activities. The Chamber favors strengthened international competitiveness and opposes artificial U.S. and foreign barriers to international business.

Positions on national issues are developed by a cross-section of Chamber members serving on committees, subcommittees, and task forces. More than 1,000 business people participate in this process.

Testimony of C. Randal Mullett

Vice President of Government Relations and Public Affairs, Con-Way, Inc.
On behalf of the U.S. Chamber of Commerce

February 13, 2008

Before the House Transportation and Infrastructure Committee

Introduction

Distinguished members of the House Transportation and Infrastructure Committee, thank you very much for the opportunity to testify on behalf of the U.S. Chamber of Commerce on the report of the National Surface Transportation Policy and Revenue Study Commission (NSTPRSC) and the investments required to meet the needs of our nation's transportation system and specifically, highway and public transportation infrastructure.

My name is Randy Mullett. I am the Vice President of Government Relations and Public Affairs of Con-Way Inc., and a member of the Chamber's Transportation, Infrastructure and Logistics Committee. The Chamber is the world's largest business federation representing more than three million businesses and organizations of every size, sector, and region. Con-way Inc. is a $4.7 billion freight transportation and logistics services company headquartered in San Mateo, Calif. Named FORTUNE magazine's Most Admired Company in transportation and logistics for 2007, Con-way delivers industry-leading services through its primary operating companies of Con-way Freight, Con-way Truckload, and Menlo Worldwide Logistics.

Last fall, the Chamber testified in front of this committee that the nation has seen abundant evidence that America's infrastructure is not only showing its age, but also showing that it lacks capacity to handle the volume of people and goods moving today. From exploding steam pipes under New York streets, to record level flight delays in the skies across the country, it is evident that now is the time to move on a robust, thoughtful, and comprehensive plan to build, maintain, and fund a world-class 21st century infrastructure. As the NSTPRSC report says, "the time is now."

The Chamber is pleased with the overall analysis of our nation's transportation infrastructure system in the NSTPRSC report. "We wholeheartedly agree that continued underinvestment and business-as-usual transportation policies and programs will have a detrimental impact on the ability of the United States to compete in the world economy and on the everyday lives of Americans," said Chamber President and CEO Thomas J. Donohue. In the coming weeks, the Chamber will examine the recommendations closely and evaluate whether these changes will enable the U.S. transportation system to adapt and meet the needs of an evolving global economy.

Vision

We concur with the NSTPRSC that the country has a transportation system that is overworked, under-funded, increasingly unsafe, and without a strategic vision. Since the passage of SAFETEA-LU, the transportation community has been calling for a "new vision" for transportation at the Federal level. Stakeholders—including the Chamber—asserted that without this vision, federal policies will not be sufficiently focused in order to truly address problems that threaten economic growth and quality of life. Without a vision, a compelling case cannot be made to the public for increased investment. And without a vision, the ill-defined programs will continue to be increasingly susceptible to earmarks that do not reflect actual priorities.

The vision of the NSTPRSC, to "create and sustain the preeminent surface transportation system in the world," is as a vision should be motivational and suggests an ideal future. When defining the national interest, the Commission tells us that facilities need to be maintained, systems are appropriately priced, travel options are plentiful and reliable, freight movement is valued, safety is assured, transportation decisions consider resource impacts and regulatory policy is rational. It would be difficult for anyone to disagree with most elements of this vision of the future. It remains to be seen what specific responsibilities federal, state and local governments, as well as the private sector, will have toward achieving that vision and advancing the national interest, and that is at the crux of this Committee's work.

Need for a Comprehensive Approach

The I-35W bridge collapse last August shone a spotlight on the state of the nation's bridges, which are critical components of the nation's transportation network. For example, South Carolina alone has a $2.9 billion bridge-repair backlog. It is important to recognize that the nation has a much larger infrastructure problem. The poor condition of the nation's infrastructure is not confined to bridges alone. The business community looks holistically at transportation infrastructure.

We need a national plan. As Ranking Member John Mica (R-FL-07) aptly articulated in an op-ed in *The Hill* in 2007, "[t]he federal government must take a lead role in developing a national strategic transportation plan for the next 50 years that makes the most efficient use of every transportation mode and incorporates the expertise and resources of both private and public sectors."

There can be no more delay. This nation cannot treat infrastructure like other problems where you can wait until the very last minute and then write a big check to save the day. Infrastructure projects require foresight and years of careful planning.

We generally concur with the Commission that it is time to "begin anew" and end "TEA-time." We must create a new era in transportation instead of reauthorizing the law in its current form. This country's current approach to delivering transportation infrastructure is not set up for today's robust economy or the economy of the future. The next era in surface transportation requires a multi-modal and intermodal approach that supports competition in the global economy, an aim that emphasizes the need for the federal government to play an important role. Much of what the Commission recommended is in line with this approach.

Federal Role

We agree with the need for "federal leadership and federal surface transportation investments…carefully aligned with the 'national interest.'" Every level of government must step up to the plate and make commitments to expand capacity through better utilization of existing infrastructure and creation of additional infrastructure. The federal government, however, bears a significant part of the responsibility when ensuring that:

- National needs are met;
- Legacy assets, including the Interstate Highway System, are maintained and improved to guarantee continued nationwide connectivity;
- Utilization of existing networks is maximized, which is, in part, a function of investment in technology; and
- Infrastructure investment is aligned with the needs that arise from the global economy, trade policies, and the flow of interstate commerce.

The federal government must perform a critical role:

- Working through difficult intergovernmental relationships;
- Providing resources for complex, multi-state or multi-jurisdictional projects; and
- Encouraging the public and private sectors to pursue innovations that improve infrastructure performance, financing, or development.

Freight and Goods Movement

The Chamber is pleased to see that the NSTPRSC calls for a transportation system that explicitly values freight movements. There is a clear federal role in prioritizing investment in new capacity and operational improvements in global gateways and trade corridors in support of interstate and international commerce.

Manufactured goods and cargo move through the United States on a system primarily consisting of ports, roads, rail, and inland waterways. On a typical day, about 43 million tons of goods valued at $29 billion, moved nearly 12 billion ton-miles on the nation's interconnected transportation network. Bridges serve as critical links in the system. The supply chain is viewed from initial point of origin to the final destination, with frequent junctures in between. To keep competitive domestically and internationally, many U.S. businesses have developed complex logistics systems to minimize inventory and ensure maximum efficiency of their supply chains. However, as congestion increases throughout the U.S. transportation system, these supply chains and cargo shipments are frequently disrupted and the cost of doing business increases.

The growth in international trade is overwhelming U.S. intermodal freight capacity. Over the next 30 years, domestic freight volume is forecast to double and international freight volume entering U.S. ports may quadruple, according to the American Association of State Highway and Transportation Officials (AASHTO).

According to the Federal Highway Administration's (FHWA) recent report, *An Initial Assessment of Freight Bottlenecks on Highways,* "if the U.S. economy grows at a conservative annual rate of 2.5 to 3% over the next 20 years, domestic freight tonnage will almost double and the volume of freight moving through the largest international gateways may triple or quadruple.... Without new strategies to increase capacity, congestion...may impose an unacceptably high cost on the nation's economy and productivity."

Labor shortages and increased security requirements born from 9/11 are compounding these capacity constraints and increasing congestion at key entry, exit, and throughput points throughout the country.

In Memphis, TN, at a hearing of the NSTPRSC, on November 15, 2006, Doug Duncan, CEO of FedEx Freight and a Chamber member, summed up the freight community's acute interest in infrastructure, "I'm afraid if things don't turn around soon, we'll begin turning the clock back on many of the improvements that these supply chains have made and begin to restrain commerce instead of support commerce."

In order to improve the free flow of goods every level of government should work to:

- Improve road connections between ports and intermodal freight facilities and the national highway system;
- Improve connectivity and capacity so that railroads can efficiently and reliably move cargo between ports and inland points;
- Develop a national intermodal transportation network so that cargo can flow at speed among multiple alternative routes;
- Help prioritize infrastructure improvements of long-term network plans and projects of national significance and then reserve funding for such projects; and
- Eliminate bottlenecks on the National Highway System.

If we fail to address these transportation infrastructure challenges, we will lose jobs and industries to other nations. Our global competitors are building and rebuilding while America is standing still. China, India, and the developing world are building at a staggering pace. China spends 9% of its GDP on infrastructure; India, 5% and rising. While they started well behind us, they are catching up fast. The United States has spent less than 2% on average as a percentage of GDP since 1980. We cannot expect to remain competitive with that level of investment.

Passenger Transportation and Personal Mobility

We also agree with the Commission that *metropolitan mobility, congestion relief,* and *small city and rural connectivity* deserve national focus and resources. Congestion threatens employers and area economic development. Traffic has already shot up 40% between 1990 and 2005 and is expected to skyrocket in coming years while capacity has increased just 2%. The fastest growing segment of our economy is the services industry, for which human capital is essential, but employers in all industries rely on transportation systems to connect them to their workforce and to connect that workforce with suppliers and customers around the country and the world. Rising housing costs continue to push workers out of central areas, increasing commute times and costs. On average, 30% of workers now leave their home counties to commute to work compared to less than 24% in 1990. Unfortunately, increasing congestion is disrupting these important connections and imposing additional costs on the workforce and employers alike.

State and local chambers of commerce remind us constantly that the citizens in their communities need transportation choices, and those options are a valued aspect of economic development strategies. Public transportation, such as buses, rapid transit, and commuter rail systems, are important solutions to the growing congestion crisis in the United States, but chronic underinvestment is leaving these systems strained under increasing use. From 1995 through 2006, public transportation ridership increased by 30%, a growth rate higher than the 12% increase in U.S. population and higher than the 24% growth in use of the nation's highways over the same period. Although Americans took 10.1 billion trips on local public transportation in 2006 only 54 percent of American households have access to public transportation of any kind as they plan their daily travel according to a 2005 Bureau of the Census survey. These statistics are much worse in rural areas.

If we fail to act, we will pollute our air and destroy the free, mobile way of life we cherish. Thirty-six percent of America's major urban highways are congested. Congestion costs drivers $78 billion a year in wasted time and fuel costs. Americans spend 4.2 billion hours a year stuck in traffic. And while their car engines are idling, they are pumping thousands of tons of pollution into the air every day.

Speeding Project Delivery

The Chamber commends the NSTPRSC for its strong statements on the need to speed project delivery. It is appalling that major highway projects take approximately 13 years to advance from project initiation to completion.

Decades ago we built the best infrastructure system the world has ever known and then proceeded to take it for granted. As a nation, we've allowed governments at all levels to pile on complex and overlapping regulations. No one objects to timely environmental reviews, and we all support strong health and safety protections, but red tape and lawsuits can bring the most common sense improvements to a grinding halt. We concur with the Commission that it is possible—and indeed essential—to speed project delivery while adequately addressing environmental and community impacts. This must be a top priority in the next authorization.

Funding and Financing

There is no question that as a nation, we are going to have to find and invest more public dollars in our infrastructure. We agree with the remarks by Subcommittee on Highways and Transit Chairman Peter DeFazio (D-OR-04) at this Committee's previous hearing on NSTPRSC. "...The current lack of investment in our nation's infrastructure [that] has brought us to where we are today – a crossroads. We are seeing dramatically increased congestion. We are seeing bridges collapse. We are not even maintaining the investments made by the Eisenhower generation in the Nation's interstate system. We are losing ground."

The Chamber is confident in the case for increasing the systemic funding available for capital investment in infrastructure. In 2005, a National Chamber Foundation report titled *Future Highway and Public Transportation Financing Study* concluded as much, and several subsequent studies including U.S. DOT's own *Conditions and Performance Report* quantify the significant gap between needs and available resources. According to the Transportation Research Board's (TRB) National Cooperative Highway Research Program's (NCHRP) study *Future Financing Options to Meet Highway and Transit Needs*, there is an average annual gap of over $50 billion in capital, operations and maintenance funding to maintain the nation's highway and transit systems from 2007 to 2017, and an average annual gap of over $100 billion to "improve" these systems. Simple inflation has eroded the purchasing power of federal user fees, and measured up again construction cost inflation, the purchasing power is even less. The cost of materials used to fix pavements has increased 33% in the past three years. Steel, oil, and concrete are all more expensive.

As a nation, we must face this fundamental fact—we are a growing people and a growing country with aging infrastructure. We have to fix what we have, and then, if we want a new road, a new runway, or a new transit system, we've got to buy it. No one is giving them away for free. We must have an honest national dialogue on how and where we are going to find the public money to meet critical infrastructure needs. There is no single answer to the question, "how do we pay for it?" That's good, because it means we have options, but *all* the options must be on the table.

Yes, along with other options, we are going to have to consider an increase in the federal fuels user fees. This could take the form of a straightforward increase in a fee that hasn't been raised in 15 years—as long as the proceeds are dedicated to transportation.

In addition, at the federal level there are user fees on truck sales and heavy vehicle use that fund roads. Public transportation is funded on a pay-as-you-go basis with a combination of user fees and general funds. At the state and local levels, a myriad of funding sources are used, and sometimes those revenue streams are leveraged through financing structures that include both public and private debt, and equity investment. The National Cooperative Highway Research Program's (NCHRP) report *Future Financing Options to Meet Highway and Transit Needs* effectively summarizes revenue sources used across the country and is a good resource for this Committee. We also believe that the forthcoming findings of the National Transportation Infrastructure Financing Commission will also add information to the discussion of revenue sources and collection options for the federal government.

It is clear that chronic underinvestment is a major contributing factor to the problems across all modes of transportation. However, the Chamber also encourages Congress to examine ways to spend infrastructure dollars more wisely. The public must trust and have confidence that transportation programs will deliver real solutions to real problems; otherwise they will not support increased investment.

We must do more to ensure that public dollars are spent wisely. That means ending waste and targeting the highest priority projects. Misuse of funding, a lack of resource prioritization, and poor comprehensive planning must be addressed. It means a sensible mix of projects based on actual needs and not on politics or ideologies—for example, more road construction in some communities, more investment in mass transit in others. It also means ending the practice of diverting money intended for infrastructure to other programs. Politicians should start paying a price when they skim money from dedicated transportation funds to pay for projects of their own choosing. It breaks trust with the taxpayers who expect their user fees to go toward their intended purposes. State governments are particularly guilty of this practice. In Texas, the legislature's budget for the next two fiscal years will divert $1.6 billion in infrastructure funding to other needs. That amount is up 15% from the previous budget cycle and a major step in the wrong direction. Texas is hardly alone among the states.

In addition to increasing revenues, cutting waste and ensuring that infrastructure dollars are spent as promised, we can also use public dollars to leverage the growing interest in public-private partnerships and other innovative financing arrangements.

In short, as Congress prepares for SAFETEA-LU reauthorization, the Chamber will continue to encourage Congress to spend infrastructure dollars more wisely, invest in new technologies, ensure that states do not divert their transportation funding away from its intended use in the name of "flexibility," increase public funding, encourage public-private partnerships at the state and local levels, and attract more private investment for projects.

Highway Trust Fund Shortfall

The Highway Trust Fund shortfall is expected in fiscal year 2009. SAFETEA-LU guaranteed at least $223 billion for federal highway program investments through FY2009. This investment level was predicated on a forecast of anticipated revenues collected for the Highway Trust Fund's Highway Account over the life of SAFETEA-LU.

Last week the Bush Administration forecasted that revenues for the Highway Account will fall short of meeting these commitments by nearly $4 billion during FY2009, the last year of SAFETEA-LU authorizations. As a result of the multi-year outlay pattern of the Highway Trust Fund, the resulting cut in the 2009 Federal-aid Highway Program would be much larger than this shortfall—approximately four times larger.

The nation's highway system has significant capital, operating, and maintenance needs and state departments of transportation and metropolitan planning organizations have developed long term transportation investment plans based on anticipated SAFETEA-LU guaranteed funding levels. As such a reduction in funds would disrupt projects already underway.

Therefore, as a result, we have strongly encouraged Congress to ensure that Highway Trust Fund revenues are sufficient to support the guaranteed funding levels in SAFETEA-LU. Congress should not ensure the solvency of the Highway Trust Fund by cutting obligation limitation for the Federal-aid Highway Program.

Conclusion

Last fall when the Chamber presented testimony to the full Transportation and Infrastructure Committee, it pledged to engage the business community through the Let's Rebuild America campaign and committed to continuing the partnership among business, labor and the transportation industry you know as the Americans for Transportation Mobility Coalition.

The Chamber has followed through on that pledge, by waging battle in the media to make infrastructure a core national economic priority; launching a grassroots campaign to support Chambers and associations across the country in their efforts to educate the public and lawmakers about the critical importance of infrastructure; identifying regulations that get in the way of private investment; and speaking out on the need for increased public investment.

This year, the schedule is ambitious. In March, the Americans for Transportation Mobility Coalition and the Chamber will release a comprehensive report articulating the transportation challenge as relates to the economy, and we will be pleased to brief committee members on the findings of that report. Also beginning in March, the Chamber will conduct a series of transportation and trade events around the nation. In June two public funding conferences for local and state chambers to educate them on the needs and solutions will be held. As presidential candidates continue their campaigns we will challenge them to take up infrastructure as a central theme. Later this year, the Chamber will highlight the capacity crisis with the RAND Corporation Supply Chain Policy Center, and there is even more in store. The people of our country must know, and be reminded again and again, that we can create good American jobs, clean the air, succeed in a global economy, preserve a good quality of life, and save innocent lives by investing in our infrastructure.

In addition, we will be fighting for full funding of SAFETEA-LU in the appropriations process, and laying the groundwork for the new authorization.

With the release of the Commission's report, all transportation and infrastructure stakeholders have started coming to the table—public leaders, the private sector, and all modes, all industries, builders, carriers, users, and shippers alike. We are going to put an end to the intramural squabbles that have divided stakeholders—mode versus mode, shipper versus carrier, urban versus rural, and region versus region. We've rolled up our sleeves and started to work. We are going to rally and unite around an urgent and compelling mission—to rebuild America.

Members of the Committee, thank you very much for the opportunity to be here today. I'll be happy to answer any questions you may have.

###

STATEMENT OF
THE HONORABLE MARY E. PETERS
SECRETARY OF TRANSPORTATION
BEFORE THE
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
U.S. HOUSE OF REPRESENTATIVES
FEBRUARY 13, 2008

Chairman Oberstar, Ranking Member Mica, and Members of the Committee, I appreciate your courtesy in allowing me to testify today.

Let me begin by saying, over the last 20 months, the Policy and Revenue Commission met on numerous occasions and engaged in wide ranging discussions to address the Nation's current and future transportation needs. I believe this time has been well spent, and I value and appreciate the contributions by all of my fellow Commissioners. Although I fundamentally disagree with a number of central elements of the Commission's Report, that disagreement in no way detracts from my respect for my colleagues on the Commission. They are to be commended for their hard work and dedication.

Last week, the Administration released its Fiscal Year 2009 budget, which funds the final year of the $286.4 billion SAFETEA-LU authorization. It is clear that we are crawling across the finish line, with the Highway Trust Fund 's short-term future unclear and its long-term future in serious jeopardy. This highlights the significant limitations in our current policies and it demands a new direction. It is shortsighted to continue reliance on an excise tax increasingly battered by such factors as increased fuel efficiency, higher air quality standards, and fluctuating foreign oil prices.

Given the severity of our transportation challenges and the effect on our economy and quality of life, it is imperative that we strive to reach a bipartisan consensus on the nature of these challenges. While we all may not be able to reach complete agreement on the appropriate solutions to our surface transportation problems, we must come together and agree on a common definition of the problem, recognizing that fundamental change is required.

I have spent many years working in this field, and I have concluded that the central problem in transportation is not how much we pay for infrastructure, but how we go about paying for it. Our current transportation policies provide the wrong incentives and signals to both users and owners of the system. In fact, I believe that the chronic revenue shortfalls we face are more a symptom of the problems than the cause.

Americans overwhelmingly oppose gasoline tax increases because real world experience tells them they are ineffective. Over the past 25 years, despite substantial increases in Federal, State, and local transportation spending -- much of it from fuel taxes -- we have witnessed a rapid growth in highway congestion. In the last 25 years, highway funding has increased 100%, yet congestion over the same period has increased 300%. This systemic failure is impacting our families, our businesses, and our environment.

Americans have become increasingly disgruntled about the declining performance of their transportation systems, but they are also unwilling to support transportation-related tax increases. Some in the transportation field argue that we have simply failed to communicate the importance of transportation to the average American. To me and various other observers, this split represents a collapse in public confidence in traditional approaches. Public opinion surveys confirm this view. A recently released survey out of Washington State found that voters preferred high speed variable tolling to gas tax increases by 77 to17 percent. This survey is consistent with a number of others conducted across the United States that have found deteriorating support for gas taxes and a growing support for direct charges.

I agree with those who call for greater Federal leadership, as the Commission Report does. I do not concede, however, that Federal leadership simply implies substantially greater Federal spending and dramatically higher fuel taxes. In fact, it is far more critical that the Federal government establish clear policies, providing appropriate incentives and allocating resources more efficiently than it is for substantial increases in total Federal spending. It is essential that we on the Federal level work together and demonstrate this type of leadership.

I truly believe that there has never been a more exciting time in the history of surface transportation. We are at a point where meaningful change is not only conceivable, but actually being implemented in various parts of the United States. In the past three years, scores of localities from every corner of the country have approached the Department seeking assistance with the development of innovative financing and operational strategies. In just the past 18 months, the majority of large U.S. cities have submitted proposals to DOT to reduce congestion by integrating technology, transit and variable tolling.

A major reform movement is now underway at the State and local level, and in order to ensure that the pace and scale of this movement increases, Federal transportation programs should be re-focused on two basic objectives. First, we should reward, not constrain, State and local leaders who are willing to stand up, acknowledge the limitations of our current policies and pursue fundamentally different strategies to financing and managing their transportation systems. The Federal government should be a partner, not an obstacle. Second, the Federal Government's investment strategy should be completely re-written to emphasize the interstate system and other truly nationally significant priorities--including the escalating urban congestion that is choking our metropolitan areas--based on clear, quantitative parameters, not politically contrived ones.

Congress has before it a tremendous opportunity to reverse the substantial performance declines in the Nation's surface transportation infrastructure to the benefit of the hundreds of millions of Americans that depend on that infrastructure every day. In fact, Congressional recognition of the changing nature of our challenges should be the cornerstone of any reform effort. This will require us to be candid about our current circumstances, put aside special interest considerations and come to grips with the unsustainability of our current path.

Again, I thank the Committee for allowing me to testify and I look forward to working with you to address America's transportation challenges.

AMERICAN ASSOCIATION OF
STATE HIGHWAY AND
TRANSPORTATION OFFICIALS

AASHTO
THE VOICE OF TRANSPORTATION

Testimony
By
Pete Rahn

Director, Missouri Department of Transportation

President
American Association of State Highway and Transportation Officials

State Perspectives on

Transportation for Tomorrow

Recommendations of the
National Surface Transportation Policy and Revenue Study Commission

Presented to the

United States House of Representatives
Committee on Transportation and Infrastructure

February 13, 2008

Mr. Chairman, Thank you for this opportunity to provide the perspectives of the state transportation leaders, represented by the American Association of State Highway and Transportation Officials, on the recent recommendations of the National Surface Transportation Policy and Revenue Study Commission.

We commend this Committee for its foresight in establishing the Commission to analyze the challenges facing the Nation's transportation system and the solutions required to meet them. And we congratulate the Commission for their tireless and extensive work to gather information from transportation providers, users, academia and industry and for the comprehensive recommendations they have assembled. We are proud that one of AASHTO's members, Frank Busalacchi, Director of the Wisconsin Department of Transportation, served on the Commission.

We consider the work of the Commission to be pivotal as federal, state and local officials chart the course for meeting the nation's extensive transportation needs. The last National Commission, which was convened in 1979, produced recommendations for sweeping deregulation of aviation, trucking and railroads, and a significant increase in transportation investment. The work of this Commission can similarly lead to historic reform of our transportation system, equipping it to provide the same advantages to our grandchildren as we have enjoyed today.

That said, we believe Congress will benefit greatly from the Commission's recommendations and that they will serve as a well-grounded foundation for the forthcoming policy debate on the future of the Federal surface transportation program. We believe this report will prove to be historic because of the priorities identified, the national focus called for, the reforms recommended and the impact it will have on future transportation policies.

The report provides a comprehensive analysis of the challenges facing the Nation's surface transportation system and the solutions required to meet them. The Commission's proposals were based on input received from nationally-recognized experts, including State Department of Transportation leaders and transportation stakeholders, in extensive hearing held in every region of the country. AASHTO provided substantial information to the Commission, through the testimony of our members, and through a series of reports that addressed such key issues as the scope of transportation needs, project acceleration, performance management, the growth in international freight, and potential revenue options for meeting investment needs.

In May, 2008, we convened transportation leaders from around the nation in a Transportation Vision and Strategies for the 21st Century Summit. The resulting vision document was provided to this Committee with a letter cosigned by 21 national transportation organizations ranging in representation from AAA to the Association of American Railroads and the American Trucking Association.

We are pleased to see that much of our input has been reflected in the Commission's report, and that the majority of the Commission's recommendations are consistent with the policy positions of AASHTO.

Clearly, they got "the big ideas right."

These include the following:

- The need for "fundamental reform of the Federal Transportation Program,"
- significant additional investment,
- a strong federal role, and a shared funding responsibility by federal, state and local governments;
- the need for a multi-modal approach;
- an increase in federal revenues, be it through fuel taxes or other means;
- the need to transition to alternative revenue sources twenty years from now;
- greater use of tolls and public private ventures to supplement revenues at the state and local levels;
- systematic planning to guide investment to where it is most needed;
- performance-based programming of funding;
- accountability for achieving results; and
- investment focused on objectives of genuine national interest including: preservation, freight, metropolitan congestion, safety, connecting with rural America, intercity passenger rail, environment, energy, Federal lands, and research.

The report contends that the federal transportation program has lost its way. The vision that united the nation behind the completion of the Interstate Highway System has faded and so has public understanding and commitment. "It is time for new leadership to step up with a vision for the next 50 years that will ensure U.S. prosperity and global preeminence for generations to come," they state.

You heard last week from the Commissioners themselves, and so I will turn my attention to those recommendations which I believe of are of the greatest importance to the states.

<u>Maintain the Federal Role and Share of Transportation Investment</u>

I first want to emphasize the absolute necessity of maintaining a strong federal role in meeting the nation's 21st Century transportation needs and sustaining the traditional share of federal investment. The Commission's report states that the U.S. needs to invest $225 billion per year to meet national needs. Today, we are investing less than 40 percent of that amount.

The needs estimate mirrors that of the U.S. Department of Transportation's most recent *Conditions and Performance* report, as well as estimates in AASHTO's *Bottom Line Report* and other reports. Traditionally the federal government has provided some 40 percent of the nation's total transportation investment. The Commission recommends in the future that the federal share of a significantly increased level of investment be 40 percent.

If, as some propose, the federal role is curtailed, states will have two options: either raise their own fuel taxes to attempt to replace the lost federal funding; or reduce their transportation programs by 40 percent. Clearly, state and local governments, even with the aid of private partnerships, cannot begin to meet such investment needs without a strong federal partner.

And they should not be expected to. Achievement of national goals, such as international competitiveness, a vibrant economy, strong national defense and homeland security, energy independence, and environmental health, require investment in a national transportation system – supported by investments by all levels of government.

With the explosion of international trade, and the expansion of the global economy, we must improve the reliability of our freight system for interstate commerce. Now, more than ever, we need a strong federal partner. With the continuing growth of this nation and the concentration of population in urban areas that produce 86 percent of our nation's GDP, we must reduce congestion so that people and freight can move freely. Now more than ever, we need a strong federal partner.

Reform and Restructuring of the Federal Transportation Program

The Commission also calls for dramatic reforms of the federal program to ensure that programs are performance-based; accountable; and focused on issues of true national significance. We will be pleased to work with the Congress to make sure that these reforms are implemented in ways that can work at the state level, and also to craft programmatic solutions that meet the needs of all of the states, large and small, rural and urban.

We have long advocated the streamlining of the federal program structure. The Commission calls for a dramatic reduction of 107 programs to only 10. We will work with this Committee and other Senate committees with transportation jurisdiction to determine how to make such a change doable.

AASHTO is pleased that the Commission recognizes the importance of a multi-modal approach to transportation, including a strong emphasis on increasing the role of transit and intercity passenger rail. These strategies are essential as we strive to address the congestion which saps both our economy and our quality of life. AASHTO has called for a doubling of transit ridership by 2030 and for the development of a National Rail Transportation Policy to expand and enhance intercity passenger rail service in regional corridors.

AASHTO commends the Commission for the recognition that planning and project determination should be based on a systematic planning effort by states and metropolitan planning organizations to achieve national objectives. We believe that our state and regional organizations are doing a good job in this regard, but we can always do better. A clear definition of our national objectives can only lend better focus to the decision-making process.

Project Acceleration

Another key recommendation of the Commission report is the necessity to speed project delivery. This has long been a top priority for state departments of transportation and for this committee as well. As the report states, "it takes too long and costs too much to deliver transportation projects, and that waste due to delay in the form of administrative and planning costs, inflation, and lost opportunities for alternative use of capital hinders us from achieving the very goals our communities set."

With the purchasing power of our transportation dollars steadily eroding, time lost is truly money lost. A project that costs $500 million if completed in four years will escalate to $616 million if the process extends to seven years, and to more that $1 billion if the project takes 14 years. The Commission found that in recent years the environmental impact statements alone for highway projects have taken as long as 54 to 80 months.

The report contains a number of specific recommendations to speed the process, while continuing to mitigate environmental impacts. AASHTO has also issued a report on Project Acceleration that addresses both environmental and construction opportunities to accelerate project delivery. Copies are provided for the Committee.

Paying the Bill

When Congress first proposed the idea of creating the National Commission, one of the fundamental questions you wanted answered was whether or not the nation could continue to rely on the traditional fuel tax to pay for future investments.

The Commission, relying on a study by the Transportation Research Board, determined that "considering its widespread acceptance and use at both the state and federal levels, the fuel tax will continue to be one of the principal revenue sources for highway and transit programs for the next 15 to 20 years."

In order to achieve the federal government's 40 percent share of transportation investment, the Commission called for a fuel tax increase of between five to eight cents per gallon annually for five years, followed by annual indexing for inflation.

For the longer-term, the Commission calls for a major national study to develop strategies for transitioning to an alternative to the fuel tax to fund surface transportation programs, such as a vehicle miles traveled fee.

Of course, it will be up to the Congress to determine how quickly the federal fuel tax might be ramped up to meet the needs identified, or whether other options might be sought such as customs fees, freight fees, etc. Both the Commission's report and AASHTO's 2007 Report *Transportation: Invest in Our Future. Revenue Sources to Fund Transportation Needs* identify a variety of potential funding methods.

The Commission report also addresses the potential role to be played by the private sector through public-private partnerships. Recognizing that achieving the documented investment needs will require significantly more investment from state and local governments, as well as the private sector, the report recommends new flexibility for tolling and pricing. Tolling currently accounts for about five percent of total highway-related revenues, but about 30to 40 percent of new "high-end" road mileage. Even the most optimistic forecasts project that this revenue source would only meet seven to nine percent of investment needs nationally in the future. So while these revenue tools will be a valuable tool to assist state and local governments in meeting future needs – they are no substitute for a continued federal role.

AASHTO applauds the Commission's call for increased flexibility for tolling, pricing and public-private partnerships, and urges that Congress make the full array of options available to state and local governments.

Immediate Action Needed to Restore Solvency to the Highway Trust Fund

Turning to an immediate concern shared by AASHTO and the Commission, I strongly urge that this Committee work with the Senate Finance Committee to address the impending revenue shortfall in the Highway Trust Fund.

The Commission notes that both the U.S. Department of Treasury and the Congressional Budget Office project that by the end of FY 2009, the Highway Account of the Highway Trust Fund will have a negative balance of between $4 bill and $5 billion, if no corrective actions are taken. This shortfall could have tremendous repercussions for federal highway funding, forcing as much as a 40 percent reduction in the funding provided to the states if not resolved before October of this year. The potential loss of jobs and disruption of transportation improvements would be damaging to our fragile economy.

The Commission recommends, and state transportation departments concur, that legislation be passed this year to keep the Highway Account of the Highway Trust Fund solvent and prevent highway investment from falling below levels guaranteed in SAFETEA-LU. A number of options are available to address the shortfalls, but must be enacted soon if they are to produce the necessary revenues. We urge that you and your colleagues on the Senate Finance Committee act swiftly to avoid the potential negative impacts that even the threat of such a reduction will have.

The final aspect of the Commission report that we find significant is its "Call to Action." They call on the Congress: First, to create and sustain the pre-eminent surface transportation system in the world; Second, to bring about fundamental reform to restore public confidence in the federal program; and third, to increase transportation investment to the levels needed to keep the U.S. competitive in the global economy and to assure a bright future for our children and grandchildren. Those are recommendations which we at AASHTO strongly endorse.

Conclusion

Mr. Chairman, the recommendations of the National Commission prompted a flurry of media coverage, focused primarily on the proposed federal fuel tax increase. But as a colleague recently observed, these recommendations cannot be captured in a sound bite or a headline. They are far-reaching and represent the best advice of a remarkable and dedicated group of transportation and industry leaders. We owe them our great appreciation for a job well done, and our thoughtful deliberation on concepts which can revolutionize the way we do business. We look forward to working with the Committee and with the Congress to build upon this report and to create the "pre-eminent surface transportation system" the report envisions and America deserves. Thank you.

SAFE ROUTES to School NATIONAL PARTNERSHIP

STATEMENT OF
DEBORAH A. HUBSMITH
DIRECTOR, SAFE ROUTES TO SCHOOL NATIONAL PARTNERSHIP
415-454-7430
On the Report of the
NATIONAL SURFACE TRANSPORTATION
POLICY AND REVENUE STUDY COMMISSION
For the
TRANSPORTATION AND INFRASTRUCTURE COMMITTEE
U.S. HOUSE OF REPRESENTATIVES
MARCH 14, 2008

On behalf of the Safe Routes to School National Partnership, I thank you for the opportunity to provide written testimony on the "Transportation for Tomorrow" report of the National Surface Transportation Policy and Revenue Study Commission. We recognize that you are wrestling with many issues including the fact that the Highway Trust Fund will soon exceed available resources.

There are several items within the Report that I agree with, such as:

- We need a new national vision and a new authorization for the next transportation bill;
- Performance based outcomes will be important for achieving a new national vision for transportation in America, provided that fair and complete measures can be developed;
- Metropolitan mobility issues are of critical national interest and will only grow more important as the population and economic clout of urbanized areas continues to increase;
- Increasing the speed of project delivery without sacrificing necessary environmental protections is critical for decreasing project costs and improving transportation systems;
- We will need to transition away from fossil fuels; and
- America needs new sources of revenue for transportation to ensure the ability to maintain and expand the United States' surface transportation system.

While the Report aims to achieve a new transportation vision for America, it unfortunately omits walking and bicycling as modes of transportation at a time when one-third of Americans do not drive. The Report also does not evaluate or note the considerable impacts of the surface transportation system's built environment on public health and medical expenditures through effects on obesity, physical inactivity, and injury. These are major flaws with the Report that should not be overlooked in its analysis by Congress.

Walking and Bicycling Are Core Transportation Modes

The 2001 National Household Travel Survey reveals that at least 9.5 percent of all trips in the U.S. are already being made by walking or bicycling, and 41 percent of all trips are two miles or less in length (the perfect length for walking and bicycling). However, neither the analysis nor recommendations in the Report make mention of walking and bicycling as methods to help solve our U.S. surface transportation challenges. The analysis only focuses on four modes of travel: highway, transit, freight rail, and passenger rail. This is a major oversight and a sincere disappointment.

It is not in the best interest for America to omit walking and bicycling from our future plans and transportation vision as these modes can help lead toward important performance based outcomes such as: reducing our carbon footprint, decreasing dependence on foreign oil and fossil fuels, and improving obesity, physical inactivity and public health concerns. I've heard some say that walking and bicycling may be important forms of transportation, but that they do not have a national impact or scope. Nothing could be further from the truth.

Transportation Can Be A Positive or Negative Influence on Health

Today in America 67 percent of adults are overweight or obese and nearly 1/3 of all children are overweight or obese.[1] In addition, childhood obesity has increased nearly five-fold for children aged 6-11 over the past 40 years, and doctors state that this current generation might be the first in more than 200 years to live shorter life spans than their parents. Transportation policies are contributing to the obesity epidemic. A major study showed people living in auto-oriented suburbs drive more, walk less, and are more obese than people living in walkable communities. For each hour of driving per day, obesity increases 6 percent, but walking for transportation reduces the risk of obesity.[2]

Numerous studies have confirmed the relationship between the built environment and public health. Doctors and medical institutions have identified that a built environment that is hostile to walking and bicycling is an important contributing factor leading to sedentary lifestyles and increases in obesity. A panel from the Center for Disease Control and Prevention concluded that active transportation and overall physical activity is higher in communities designed to support walking and bicycling.[3] Some studies indicate that built environments can contribute to 30 to 60 minutes more physical activity per week.[4]

Transportation Impacts the Nation's Fiscal Health

The Centers for Disease Control and Prevention estimated that obesity cost America $117 billion in the year 2000. Physical inactivity results in $76 billion in direct medical costs annually in the United States.[5] These expensive health problems can be relieved through effective transportation and land use policies.[6] A review of 12 studies that created or enhanced access to places for physical activity found, on average, a 25 percent increase in the number of persons exercising at least three days per week.[7]

The U.S. Congress allocated $286.4 billion for the five-year SAFETEA-LU transportation bill in 2005. Walking and bicycling received only about 1 percent of the funding in SAFETEA-LU, but these modes already represent at least 9.5 percent of all trips in America. Traffic fatality data from states shows us that bicycle and pedestrian modes comprise an average of 13 percent of deaths on U.S. roadways. This shows the profound inequity in transportation funding in our current system. The chronic under-funding of walking and bicycling contributes to traffic congestion, obesity, economic loss, dependence on foreign oil and carbon emissions.

Since physical inactivity is costing an estimated $76 billion each year, the Safe Routes to School National Partnership believes that Congress should be carefully considering how to improve transportation systems so that these systems will encourage safe walking and bicycling as a means to increase physical activity. With the close relationship between the built environment and public health, we encourage Congress to make "improved public health" an overarching performance measure and theme for the next transportation bill for all transportation programs that are funded.

21st Century Performance Goals for Transportation

At this juncture, we can no longer continue to measure performance-based outcomes largely through automobile-centric approaches such as how quickly vehicles can move from point A to point B. This is an antiquated approach that does not address current priorities. Congress must create a more inclusive vision for America and evaluate our transportation performance-based goals through overarching themes such as improving public health and reducing carbon emissions. In addition, Congress must develop new ways to measure transportation performance. Current modeling of transportation needs by state Departments of Transportation and the Federal Highway Administration do not even register positive impacts from bicycle and pedestrian use, which could be significant if the right questions are asked.

The way we build our roadways and transit systems affects whether people can even walk across the street safely to get to school, a store or a bus stop. Too often, roadways built with federal funding are designed only for automobiles, making it impossible for most people to walk or bicycle safely on a regular basis. The Safe Routes to School National Partnership encourages the next transportation bill to include a "complete streets" approach in which all roadways are designed to meet the needs of all transportation users including pedestrians, bicyclists, the disabled and transit users. Complete streets can help increase the capacity of the transportation network by giving people more transportation choices. We also need more transportation options for people of all ages and abilities such as multi-use pathways and traffic calmed streets that connect to residential areas and business districts. The Texas Transportation Institute found that providing more travel options, including public transportation, bicycling and walking facilities, is an important element in reducing congestion. As mentioned above, many studies show that when roads are better designed for bicycling, walking, and taking transit, more people choose these modes of transportation.

The Surgeon General recommends 30 minutes of physical activity each day for adults and 60 minutes of physical activity most days for children, but more than 60 percent of American adults are not regularly active, and 25 percent of the adult population is not active at all. These results based on questionnaires are troubling enough, but new data based on objective monitoring of physical activity show less than 20 percent of adolescents and less than 5 percent of adults are meeting these guidelines.[8]

Physical inactivity is a crisis in America. Through building complete streets, funding comprehensive Safe Routes to School programs, and expanding programs such as Transportation Enhancements, Recreational Trails, and the Nonmotorized Transportation Pilot Program we can build an America that is healthier and stronger, and less dependent on foreign oil.

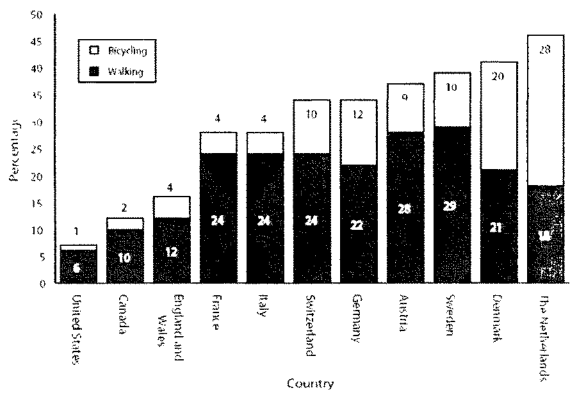
What Pedestrian and Bicycling Funding Achieves

A recent report submitted to Congress in January 2008 on the Nonmotorized Transportation Pilot Program that was funded in section 1807 of SAFETEA-LU http://www.fhwa.dot.gov/environment/bikeped/ntpp/index.htm shows that in Minneapolis MN, 19.6 percent of trips in that city are already being made by walking and bicycling. According to the report, walking and bicycling reduced automobile driving by 89 million miles in that city in the year 2006. Using an Environmental Protection Agency calculator for carbon reductions, this equates to approximately 39,000 tons of carbon that was not emitted into the atmosphere, and based on an average of $3 gallon/gas, walking and bicycling in Minneapolis resulted in avoided fuel cost of more than $13 million in one year. The reduction in climate emissions from Minneapolis' baseline walking and bicycling rate dwarfs the current contribution of more popularized CO2 reduction strategies such as hybrid vehicles.

Just imagine how many more people we could get bicycling and walking in Minneapolis and other communities if our bicycle and pedestrian systems were completed. In Minneapolis, like all cities and communities in America, many elements of planned bicycle and pedestrian networks have yet to be constructed, but when they are, mode share for walking and bicycling will continue to rise, along with the expected public health benefits of improved safety and physical activity. Concentrated investments in these networks and supporting programs over time yields increasingly cost-effective mobility improvements. Portland, Oregon, for instance, has seen a quintupling of bicycle miles traveled over the past 15 years in response to focused infrastructure development and supportive policies.

In California, a 2007 Safe Routes to School Mobility and Safety Analysis conducted by the California Department of Transportation showed that direct observations of schools that received capital safety improvements through the Safe Routes to School program yielded walking and bicycling increases that were often in the range of 20 percent to 200 percent. The report also indicated that the estimated safety benefit of the program was up to a 49 percent decrease in the childhood bicycle and pedestrian collision rates. Local studies have shown that parents driving children to schools can comprise 20 to 30 percent of the morning traffic congestion. Investing further in Safe Routes to School can help improve both transportation and health.

While some communities in America have made strides toward improving bicycle and pedestrian mode shares, the United States still has the lowest bicycle and pedestrian mode shares of any first world country. The following chart compares U.S. walking and bicycling rates with those in other countries and was extracted from a 2003 article in the American Journal of Public Health by John Pucher, PhD and Lewis Dijkstra PhD titled *Promoting Safe Walking and Cycling to Improve Public Health: Lessons From The Netherlands and Germany.*



Note. Modal split distributions for different countries are not fully comparable owing to differences in trip definitions, survey methodologies, and urban area boundaries. The distributions given here are intended to show the approximate differences among countries and should not be used for exact comparisons.
Source. Transportation Research Board.[19] Table 2-2, p. 30.

FIGURE 1—Percentage of trips in urban areas made by walking and bicycling in North America and Europe, 1995.

This paper further goes on to explain that walking and bicycling are much more dangerous in the U.S. than in other countries. American pedestrians are roughly three times more likely to get killed than German pedestrians and over six times more likely than Dutch pedestrians. Per kilometer and per trip bicycled, American bicyclists are twice as likely to get killed as German bicyclists, and over three times as likely to get killed as Dutch bicyclists. It's no wonder that Americans cite safety as the number one reason that they do not walk and bicycle more often. This, however, is a problem with a solution.

Through U.S. and international studies, we've seen that investing in walking and bicycling is a cost-effective way to improve mobility and health, while reducing injuries and carbon emissions.

<u>Conclusion: Creating A Healthy Transportation Vision and Plan for America</u>

It's time for America to invest substantially in walking and bicycling infrastructure and programs, and to move forward with ensuring a "complete streets" approach for transportation spending, rather than funding transportation projects that make it difficult and unsafe for people to be able to walk and bicycle in their communities.

I urge Congress to hold a future hearing with public health professionals, researchers, and advocates who can further explain the relationship between transportation policies, land-use and public health, and how it would be beneficial to include the overarching themes of improved public health and reduction of carbon emissions in the next transportation bill. America incurs high costs due to a built environment that is hostile for walking and bicycling; it is no longer adequate for transportation, land use and public health to be examined through separate silos.

The National Surface Transportation Policy and Revenue Study Commission Report presented to Congress in January 2008 indicated that it is critical for America's future to: "Create and sustain the preeminent surface transportation system in the world." To do this, Congress needs a bold new vision for how to define transportation in America that highlights how those transportation systems affect our ability to be physically active, our quality of life, and the livability of the communities where Americans live, work and attend schools.

As a nation we will not achieve goals in reducing congestion and carbon emissions, improving air quality and safety, and reducing obesity until a very high priority is placed on building transportation systems designed to encourage and support walking and bicycling.

---

[1] Ogden CL, Carroll MD, et al. Prevalence of Overweight and Obesity in the United States, 1999-2004. Journal of American Medical Association, 295 (13): 1549-1555.2006.
[2] Frank LD, Andresen MA, Schmid TL. *Obesity relationships with community design, physical activity, and time spent in cars.* American Journal of Preventative Medicine 2004;27:87-96.
[3] Heath G, Brownson R, Kruger J, et al for the Community Preventive Services Task Force. *The effectiveness of urban design and land use and transport policies and practices to increase physical activity: a systematic review.* J Phys Act Health 2006;3(suppl. 1):S55-S76.
[4] Sallis JF, Kerr J. Built environment and physical activity. President's Council for Physical Fitness and Sports Research Digest 2006;Series 7(No. 4):1-8.
[5] Pratt M, Macera CA, Wang G. Higher Direct Medical Costs Associated with Physical Inactivity. *The Physician and Sportsmedicine* 200; 28:63-70.
[6] Heath 2006.
[7] Kahn EB, Ramsey LT, Brownson R, et al Task Force on Community Preventive Services. *The effectiveness of interventions to increase physical activity.* American Journal of Preventative Medicine 2002;22 (4S):73-107.
[8] Troiano RP, Berrigan D, Dodd KW, Masse LC, Tilert T, McDowell M. Physical activity in the United States measured by accelerometer. *Med Sci Sports Exerc.* 2007;40:181-8.